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A Lesson in Socialism

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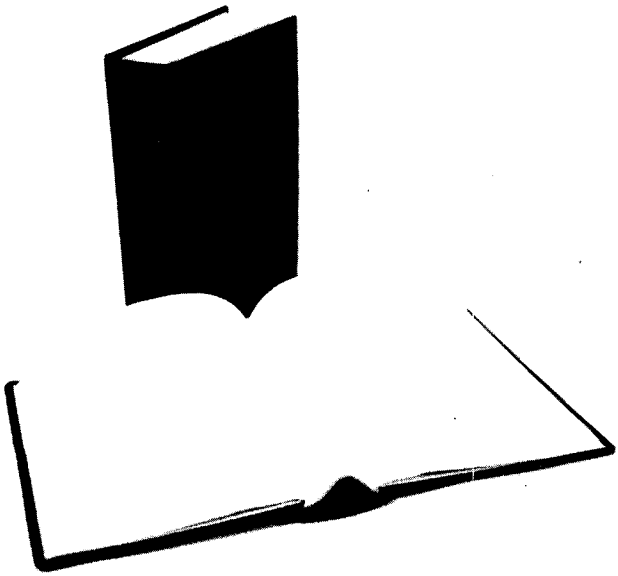

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A Lesson in Socialism

As a teacher, I speculate with the pupils as to the probable results if I used the socialistic theory for grading—downgrading the better and upgrading the poorer papers.

First, the highly productive pupils—and they are always a minority in school as well as in life—would soon lose all incentive for producing. Why strive to make a high grade if part of it is taken from you by "authority" and given to someone else? Why work for something if you know you won't be permitted to keep it?

Second, the less productive pupils—a majority in school as elsewhere—would, for a time, be relieved of the necessity to study or to produce. This socialist-communist system would continue until the high producers had sunk—or had been driven down—to the level of the low producers. At that point, in order for anyone to survive, the "authority" would have no alternative but to begin a system of compulsory labor and punishments against even the low producers. They, of course, would then complain bitterly, but without understanding.

Finally I return the discussion to the ideas of freedom and enterprise—the market economy—where each person has freedom of choice, and is responsible for his own decisions and welfare.

Gratifyingly enough, most of my pupils then understand what I mean when I explain that socialism—even in a democracy—will eventually result in a living-death for all except the "authorities" and a few of their favorite lackeys.

—*Thomas J. Shelly*

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John K. Williams

The Wisdom of King Canute

HISTORY has dealt unkindly with King Canute. For many he has become the very symbol of a pretentious ruler's folly. What, after all, could be more absurd than a monarch attempting to stem the tide by sitting on a beach and raising his royal hand?

The original legend, however, testifies to the wisdom of this sadly maligned monarch. The king was surrounded by courtiers given to extolling their ruler's powers in grandiose terms. To demonstrate their foolishness and to illustrate how limited his powers were, King Canute engineered the confrontation between a royal edict and the laws of nature governing the rise and fall of the tides. The courtiers, not their ruler, were the fools. Indeed, it is probably because rulers with the good sense to recognize their limitations are so rare that the story of King Canute ordering the tides to stand still has been so unfairly distorted over the centuries.[1]

A leap from King Canute to contemporary critics of a free market economy might seem, *prima facie,* a leap bringing envy to the heart of a Rudolf Nureyev. So let me state my thesis boldly and baldly: contrary to the diagnoses of the bedside attendants of an allegedly dying capitalist economic system, no radical surgery is called for. What we confront is not market failure but govern-

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The Reverend Doctor John K. Williams has been a teacher and currently does free-lance writing and lecturing from his base in North Melbourne, Victoria, Australia.

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ment failure: specifically, a failure of governments to acknowledge, as did King Canute, what they in fact cannot do.

The Death of Capitalism

Capitalism has been a long time dying. As noted by two Australian defenders of the free market in a free society, Greg Lindsay and Gary L. Sturgess,[2] "Utopian socialists pronounced it dead at birth, and during the nineteenth and twentieth centuries death notices have, with boring frequency, been posted by Karl Marx and his lesser imitators." Some critics cited malnourishment as the cause of death, capitalism allegedly being less efficient than centrally planned economic systems. Other critics cited obesity and a consequent strain on the system's heart, capitalism allegedly, like the sorcerer's apprentice, having unleashed forces beyond control which produced a bloated affluence. According to some, capitalism had fulfilled its function, having ushered in a "post-scarcity" age. In the gentle words of *Ecclesiastes*,[3] "For everything there is a season. . . ., a time to be born, and a time to die," hence, having overcome the problem of scarcity, the time for a dignified death had arrived. Others suggested that, greedily gobbling up finite resources, capitalism's demise was due to the imminent worldwide scarcity it itself had brought about. The disenchanted ex-Marxian philosopher Jean François Revel puts it well:

> The most active department of socialist thought for the past century can be seen as an undertaking establishment that keeps itself occupied, indeed overemployed, fidgeting over the details of capitalism's funeral arrangements. All is ready for the imminent delivery of the mortal remains. A cloud of witnesses goes to and fro, bringing news from the bedside, where the patient is forever about to expire, to the public outside, where the socialist funeral procession awaits only the final signal to get under way.[4]

Inasmuch as Revel uses the word "capitalism," I have also used it. The late Leonard Read, in company with many scholars, tended to avoid the word: it has so many connotations that it can jeopardize rather than facilitate communication. In *The Fontana Dictionary of Modern Thought*[5] two definitions of capitalism are proffered: one in terms of the private control of means of production and objects of consumption in markets which "are free in the sense that, subject to the constraints of law" individuals are "at liberty to enter or depart, to expand or contract, and . . . to buy or not to buy"; the other in terms of a "set of arrangements in which one class, the capitalists or bourgeoisie, owns the factories and other tools of production, while a second class, the workers or proletarians, possesses only its labour power. . . ."

I do not wish to invest much time

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debating definitions. I merely suggest that a consideration of the complex economic and political structures constituting mercantilism, the economic and political system Adam Smith so vigorously attacked, leads one, by contrast, to think of the capitalist era in terms of free domestic markets, free international trade, an absence of government patronage, and a society of contract as against a society of status and fixed relationships. I further submit that, unlike socialism, capitalism is not to be thought of as an ideology. The British historian and ex-editor of the *New Statesman* Paul Johnson makes this point tellingly: "I do not believe," he writes, "that capitalism is an ideology at all. Socialism is, because socialism is an intellectual artifact. Capitalism . . . is an absolutely natural human development which inexorably follows from the fact of establishing the principle of freehold property. . . . Capitalism is merely a demonstration of the human spirit at work in industrial society."[6]

It is also, in this context, important to note that, although it is certainly no accident that capitalism and classical liberal democracy entered human history at about the same time and on the same part of the globe, the existence of a free market is not a sufficient condition for the existence of a free society. Essentially free market economies both can and do exist in authoritarian regimes. What *is* clear is that without economic liberty, political liberties are difficult to win and even more difficult to maintain. The most that can be said, I suggest, is that while liberal democracies are essentially capitalistic, not all essentially capitalistic nations are democracies. Economic liberty is a necessary, but not sufficient, condition for political liberty.

Is Capitalism Failing?

Is capitalism faltering? Are those who assume that capitalism is dead or dying to be heeded? Are we to take seriously the confident prophecies of Marxian Adventists that the great and final capitalist cataclysm is at hand?

I submit that comparable questions as to the present well-being of socialist regimes must clearly be answered in the negative. Western intellectuals returning from pilgrimages to the U.S.S.R. and proclaiming that the socialist millennium had arrived are, fortunately, an endangered and almost extinct species. Student radicals of the silly 60s and 70s who made China their ideal have had to cope with the revelation that Mao Tse-tung's Dazhai commune was a fraud, propped up by handouts and garbed by falsified statistics. The general consensus of Western Marxians would seem to be that all purportedly Marxian States actually

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existing are aberrations of "authentic" Marxist-Leninist principles. While doctrinaire socialists provide compelling evidence for T.S. Eliot's claim that humankind "cannot bear very much reality," one cannot totally ignore the reality of chronic food shortages and a dearth of consumer goods in Soviet Russia, Eastern Europe, Cuba and African States which, once enjoying thriving agricultural bases, listened to Western intellectuals, collectivized these in the name of "agrarian reform," and are now dependent upon foreign aid for the most basic of foodstuffs.

Grim reality, however, can be "accommodated." As a churchman I am both saddened and bewildered by clerical colleagues who sincerely yearn for a day when the hungry are fed, the naked are clothed and the impoverished of the earth raised up from their misery, yet who treat with an irrational abhorrence the very system that, to date, has done best what they value most. The very notion that the miserable failure of socialist regimes to satisfy the material needs of their people might testify not to the indifference or incompetence of central planners but to the inherent limitations of central planning, is, it would seem, for many literally unthinkable. The suggestion that maybe, just maybe, empirical facts have confirmed the conclusion of Ludwig von Mises' argument[7] that economic calculation in a socialist State is literally impossible, falls, unfortunately, upon deaf ears. For these people *know* that capitalism is dead or dying, and they are quick to proffer evidence for this seemingly unshakable conviction. What evidence do they cite?

Symptoms Cited

The most obvious and probably most widespread symptom of capitalism's death or terminal illness today referred to is the current recession. Recently I squirmed my way through a sermon delivered by an Episcopalian bishop I greatly admire. According to him, however, "No one with eyes to see can look at the queues of men and women desperately seeking employment in capitalist nations and not perceive that capitalism's days have ended. Anyone whose eyes do not weep when they behold the human misery this system generates, is without a heart." I must admit that I felt like weeping—weeping over a good and intelligent man's economic ignorance. He unintentionally atoned for this ignorance, however, by later giving expression to a significant half-truth: "Governments have discovered," he observed, "that they are unable to create full employment."

In one sense he was in error: governments have, in our century, provided full employment for the unhappy occupants of Auschwitz and the Gulag Archipelago. In another

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sense, however, he was correct: governments literally *cannot* simultaneously tolerate the use of coercion by privileged workers to prevent downward movements of real wages in some areas of employment; stimulate demand for labor sufficient to prevent involuntary unemployment; and avoid inflation and the further misallocation of resources, including labor, such inflation generates.[8]

A Scenario for Disaster

Lord Keynes' insistence that government could, by regulating aggregate demand through monetary policy, control employment, and the effective capture by trade unions of legalized power to force individuals to withhold their labor from potential employers, have together created a scenario for disaster, a disaster as inevitable as the rise and fall of the tide. Yet what is being considered is the result of a *departure* from the economic and political structures defining the free market in a free society, and should lead us to challenge this departure from the rules rather than the rules themselves. The locus of our present problems is found not in any market failure, but in governments which, unlike King Canute, do not recognize their limitations and foster, rather than discourage, the false beliefs of their fawning admirers.

Such a response, however, today invites and usually receives a rebuttal referring to technological change. An Australian politician, Mr. Barry Jones, has argued in a quite fascinating volume entitled *Sleepers, Wake!*[9] that "the 'post-industrial revolution' is ... a fundamental break with previous economic history" and that "the adoption of new technology (involves factors which) have no precedent in economic history." While not echoing the confident 1949 prediction of Norbert Wiener[10] that developed nations faced "a decade or more of ruin and despair" as cybernation and automation decimated employment opportunities, Mr. Jones clearly is convinced that what an Australian newspaper called "the computer holocaust" marks the end of the free market in a free society. What he at least argues, many simply assert.

Past Evidence of the Fear of Technological Change

It is salutary to note in this context that advocates of what one might call the "discontinuity thesis *vis à vis* modern technology" themselves display, in their fear of technological change, a quite remarkable *continuity* with the past. In the late 1700s the loom and spinning jenny were perceived as omens of impending disaster. In the 1870s and 1880s mechanization signalled the last days. In the early 1900s electrification was hailed as a sure and certain

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sign that capitalism faced its final judgment.

I have no doubt that modern technology *will* result in massive changes in employment patterns. I do doubt, however, that our situation is without precedent. It is not so long ago that the vast majority of men, women and children worked long hours to eke out a bare living from the soil. Had those people been informed that one day in the United States of America a mere four per cent of the working populace would produce sufficient food to feed an entire nation and a great deal of the rest of the world as well, they would have anticipated a future characterized by massive involuntary unemployment. Yet the seemingly random acts of people "chanced" upon new activities which became components of economic exchange. No "experts," however clever, could have anticipated that many ladies would discover in the act of painting other ladies' toe-nails one such activity! *The greater one believes the impact of modern technology upon employment patterns will be, the more vital becomes the existence of an economic system dependent upon the liberty of the masses to experiment. Only thus can the probability of the rapid discovery of new activities becoming components of economic exchange be maximized.*

The year 1973 was a good one for connoisseurs of explanations of the free market's demise. The oil crisis constituted a pleasing blend of such favored elements as alleged market failures via the emergence of cartels, and industry in chaos. John Kenneth Galbraith prefaced a gleeful article celebrating the new crisis facing capitalism by two quotations from Milton Friedman who had predicted a fall in the price of oil and the collapse of OPEC. OPEC had, asserted Galbraith, disproved the claim that "[any] effort seriously to limit supply and enhance prices will . . . be destroyed by the pressure to sell at the higher price. And also by the enthusiastic response of producers who are not part of the control effort."[11]

Events showed, however, that Friedman was "out" only in his timing. The market responded precisely as predicted. Sources of oil, previously uneconomic, came on stream. Substitutes emerged. Falling demand led to surpluses and some OPEC countries broke rank, selling under official prices. The only "failure" involved was the confidence of all too many in market forces, compounded by the perfectly predictable failure of the ludicrous attempts of many governments which, lacking the wisdom of King Canute, believed they could control matters by price controls, gasoline rationing, lower speed limits, and so on.

One year before the oil crisis of 1973, however, the opponents of

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capitalism had been mightily heartened by the publication of the Club of Rome report. The essence of this report, you will recall, was that exponential growth trends in population accompanied by resource depletion would lead to our reaching the limits of global capacity within one hundred years, resulting in catastrophe. While some developing nations perceived in *The Limits to Growth* further evidence of some sort of conspiracy to disadvantage peoples desperately in need of massively increased economic growth, most Western intellectuals interpreted the report as a telling indictment of capitalism. Capitalist nations, after all, were the nations characterized by the economic growth inexorably leading the world to destruction.

This conclusion led, and still leads, to two strategies for action inimical to the survival of the free market in a free society. The first, followed by the Club of Rome itself in embarking upon its "Reviewing the International Order" project, directed by the Nobel-Prize-winning Dutch economist Jan Tinbergen, prescribes a global redistribution of wealth as the means of averting global disaster. The prescription was at one with that recommended by the 1964 United Nations Conference on Trade and Development, which had specified a minimum one per cent transfer of the national income of developed countries to developing countries and set a target of an annual rate of growth in the developing world of five per cent.

Two Approaches to One End

The major contrast between what one might call "the philosophy of UNCTAD" and that of the Club of Rome is that the former was optimistic, believing that the inevitable destiny of every society is affluence and that a "massive transfer of resources from North to South" will lead to this happy state of affairs. One perceives that prescription as an elixir leading to an earthly paradise; the other perceives the prescription as preventive medicine saving us from an earthly hell. The prescription, however, is the same.

Adequately to explore this reponse to the myth of finite resources lies beyond the scope of a single paper. This is fortunate, as such exploration leads one into the tangled jungle of Lenin's analysis of imperialism, unpleasant human traits as envy and an irrational guilt bordering upon masochism, the utterly extraordinary economics of the Brandt commission and the much-discussed New International Economic Order, the Law of the Sea Treaty, and an entirely new vocabulary of euphemisms which obscure the central question of precisely who is to do precisely what for precisely whom. I can but urge you to avail yourselves,

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should you decide to undertake such exploration, of the services of such admirable guides as Professor P.T. Bauer[12] and Dr. Kenneth R. Minogue.[13]

The other response to the myth of finite resources I deem politically significant and destructive of individual and economic liberty, is that of those people described by Dr. H. Peter Metzger[14] as "the coercive utopians." Their vision of utopia is a radically decentralized, semi-agrarian society composed of small, self-sufficient communes utilizing "soft" energy alternatives and enjoying the simplest of cottage industries. The inhabitants of such communes will rejoice in an unravaged environment, will experience closer and more intimate human relationships than hitherto known, and will have witnessed the passing of enmities spawned by an inequitable distribution of economic goods. According to Ralph Nader, "[We] are going to rediscover smallness. If people can get back to the earth they can grow their own gardens, they can listen to the birds, they can feel the wind across their cheek, and they can watch the sun come up."[15]

Mistrust of Industrialism

There is nothing particularly new about such romanticism. Nor is there anything new about a deep-seated mistrust of industrialism. It can be found in such dedicated opponents of socialism as Belloc and Chesterton, and was articulated by the conservative Prime Minister of the United Kingdom, Stanley Baldwin, when he identified the "real England" with "the tinkle of the hammer on the anvil in the country smithy, . . . the sound of the scythe against the whetstone, and the sight of a plough team coming over the brow of a hill. . . ." What is new is the plethora of self-styled "public interest" groups exerting considerable political clout and supported by alarmingly large numbers of well-intentioned people completely ignorant of the "hidden agenda" informing such groups. Llewellyn King has perceptively described this agenda:

> [Its vision] is the decentralized society; its weapon for capitalistic excess is regulation, not nationalization; its means for decentralization are technological. . . . The cutting-edge of this agenda—turning the United States from an industrialized, centralized society into a decentralized, semi-agrarian nation—is to put a tourniquet around centralized energy development . . . and to bring about, through the dispersal of energy sources, a dispersal of decision-making and return power to the people in small, local units.[16]

In one sense it is tempting to dismiss this scenario simply as bizarre: indeed a reviewer[17] of a volume elaborating this scenario (Ernest Callenbach's *Ecotopia*[18]) dismissed it as a "satire of an environmentalist's daydream." A moment's thought

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should be sufficient to reveal its patent absurdity. One cannot help but feel that few of the well-fed, well-housed, well-educated, and perhaps well-intentioned beneficiaries of "high technology" now biting the hand that fed, housed and guided them have ever really contemplated the technology involved in the manufacture of a simple spade. Inasmuch as quite a few spades will be needed in their alternative society that all of us apparently are to enjoy, such contemplation might be salutary! And so might further contemplation on the restricting effects of limited communications upon the sharing of human knowledge, the impact of their semi-feudal socio-economic system on medical and para-medical services, and the "dehumanizing" nature of the many labor-intensive activities their realized ideal would involve.

The Myth of Finite Resources

There are two major points I would make in this context: first, I would simply observe that a free market economy in a free society, an economy emerging from the uncoerced attempts of individuals seeking to improve their situation by reference to their own diverse visions of the "good life" and their own perceptions how best to realize these visions, represents the ultimate form of a *decentralized* economic system; second, I would urge men and women attracted by the seemingly admirable objectives of many "public interest" groups to make sure that the leadership of such groups is not, in truth, held by elite power brokers in the body politic, creating pressures for anti-free market regulation and busily forging links with the State reminiscent of mercantilism at its worst.

I have twice, in discussing two responses to neo-Malthusian pessimism about the capacity of the earth to sustain high economic growth, used the expression "the myth of finite resources." I am not suggesting of course, that resources are infinite, although I wish individuals referring to finite resources would facilitate discourse by distinguishing between *preservable* resources such as air, *reclaimable* resources such as metals, *renewable* resources such as trees, and *depletable* resources which cannot be preserved unless we do not use them. I am rather drawing attention to the grotesque misunderstanding endemic among many who speak of finite resources without saying what is meant by a *known* resource.

It should be self-evident that no mining company would spend vast sums looking for what is common; it should be equally self-evident that since reserves are defined in terms of what can economically be recovered, their extent is dependent upon prevailing prices. Indeed, the

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price system in a free market economy adapts production to more information than any political planners could be aware of, let alone synthesize. Market prices indicate when it is and when it is not economical to recover reserves. It is that economic system which people concerned about the conservation of various resources should be advocating.

Technology Creates Resources

It should also be noted that technology not only consumes but in a very real sense creates resources. Michael Novak has noted, for example, that oil, known in Biblical times and marginally useful in the making of ink and perfume, only really became a "resource" when a use was found for it and a technology devised to extract it. Again, the early Iberians mined the Rio Tinto deposits in Spain for copper, gold and silver. Falling grades and the collapse of the Carthaginian empire caused the mines to be abandoned. The greater organizational and engineering skills of the Romans reopened the mines. Grades fell even further and the mines again were closed. The discovery by the Moors in the Middle Ages of the process of "leaching," made further recovery of copper feasible. Technology, in other words, *created* resources, the mine closing again and opening again as the "roasting process" supplanted "leaching" and the "flotation process" supplanted the "roasting process."[19]

Even unintended and undesired side-effects of new technologies cry out, for their best resolution, for the market. Consider pollution. Historical research on the legal response to pollution in nineteenth-century England reveals not any failure of capitalism, but the failure of courts to enforce the *sine qua non* of capitalism—private property rights—through the tort of nuisance.[20] Private entitlements to clean air were transferred to the "public domain" where they were appropriated by industrialists. Once again a departure from, and not the workings of, economic and political liberty compounded the difficulties created by a new technology.

Having referred to a failure of nineteenth century English courts to enforce private property rights, it is, perhaps, appropriate to remind ourselves of the limited but utterly vital function of government. King Canute, in his wisdom, knew what rulers *cannot* do; that knowledge, however, must be placed alongside a recognition of and emphasis upon what rulers *must* do. Economic and political liberty depend utterly upon laws establishing and protecting property rights and enforcing the performance of contractual promises.

Douglas North[21] has argued elo-

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quently and persuasively that the appearance of economic growth in Europe was no historical accident linked to sudden technological revolution: what characterized early modern Europe was a system of property rights making innovative activity more profitable than anywhere else and ever before. If a system of property rights is imprecise, or its protective mechanisms inefficient, behavior informed by short-term considerations is encouraged. A system of property rights defining and protecting people's entitlements to what their efforts create, reduces the risks inherent in production, increases the potential profitability of innovation, and thereby encourages the deferred consumption necessary for capital formation.

Protecting Individuals from Violence, Theft and Fraud

It is vitally important that those who define the essential function of governments in terms of the protection of individuals from violence, theft, and fraud, and seeing to the enforcements of contracts, do not equate limited government with weak government. If private property rights are not efficiently protected, economic liberty and political liberty are at risk.

And it is here that our present situation is precarious. As Friedrich Hayek has consistently argued, "legislatures" which were conceived by early theorists of representative government to be limited to the making of "laws" in a very specific sense of that word, have expanded the term to refer to everything that elected representatives resolve. As against an understanding of the "rule of law" as the legitimizing of coercion solely to enforce obedience to *general rules of individual conduct equally applicable to all, in an unknown number of future instances,* such rule has become equated with the enforcement of any and every directive issued by elected representatives of the majority, however much such directives discriminate in favor of, or to the detriment of, some groups of individuals.

The "public choice" theorist Allan Meltzer has, like Hayek, concluded that a fundamental conflict obtains between representative democracy as we know it today and the market system. Let me cite here the essence of Meltzer's argument:

> The government grows faster than the private sector whenever the costs of government can be diffused and the benefits concentrated. . . . The principal reason is that politicians can organize supporters at lower cost by offering new programs than by offering either tax reduction or elimination of existing programs. . . .
>
> Each time a candidate opposes a program those who benefit from the program have an incentive to vote for the opposition. Some voters will be attracted and pledge their votes. Generally, fewer votes will be gained than lost because

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the gain to an average voter from eliminating a program is smaller than the loss to the beneficiaries. . . . If *taxes* were concentrated and *benefits* diffused, a coalition in favour of tax reduction would be organized to eliminate programs, reduce taxes and the relative size of government. . . .

Candidates often run on programs favouring tax reduction, efficiency in government, elimination of waste and the 'crushing burden' of regulation and taxation. Once in office the promises may be repeated, but they are not enacted. Again, the reason is that coalitions in favour of tax reduction or efficiency are costly to maintain . . . . The benefits from new programs can be concentrated to help the voters who supported the candidate or promise to support him in the future. Coalitions in favour of benefits are, therefore, more efficient than coalitions in favour of tax-reduction. They can be organized and maintained at lower cost.

A competitive political process sustains efficient coalitions and eliminates inefficient coalitions. The members of a group favouring tax reduction and smaller government can be bid away by finding benefits that reward the members. Such benefits include specific tax reduction, subsidies, regulation of competitors, tariffs, and licensing.

. . . If I am correct, there is a flaw in the operation of representative government. The flaw produces the growth of government. The government grows, faster at times, slower at times. On average, government grows.[22]

Adam Smith's "liberal plan of equality, liberty, and justice" can usefully, I suggest, be understood in terms of his answer *not* to the question political philosophers from Plato onward have asked, namely, "What economic and political structures maximize the good that the best can do, assuming they enjoy economic and political power?" but to a very different question: "What economic and political structures minimize the evil that the worst can do, assuming *they* enjoy economic and political power?" The current wisdom of our age has it that his trust in a free market as a limitation on the evil the worst can do given economic power was in error and his trust in democratic government as a limitation on the evil that the worst can do given political power was sound. But I am suggesting *the converse is the case.*

The essentially philosophical observations of Hayek, and the more empirical observations of the public-choice theorist Meltzer, underscore the same vital point: the free market in a free society is under threat *not* because of market failure but rather because of government failure. The political structures which classical liberals advocated have not proved strong enough to counter or curb the perfectly understandable desire of the politician to improve his situation—maximize his utility if you like—and the equally understandable desire of vested interests to improve *their* situation by the employment of skilled, information-

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rich intermediaries whose task it is to bring to the notice of politicians the unfortunate consequences of ignoring the particular cause such intermediaries represent.

Problems of Size in the Free Market Economy

The accuracy of this diagnosis of our problem is confirmed if we contemplate two further common objections to a market economy cited by its opponents: the claim that the development of the modern corporation involves a mutation fatal to the survival of the market, and the claim that monopolistic and oligopolistic structures have supplanted the classical market.

John Kenneth Galbraith's statement of the first claim is concise: "In recent decades there has been . . . [a] shift of power from owners to management within the modern large corporation. . . . The management, though its ownership is normally negligible, is solidly in control of the enterprise. By all visible evidence it possesses the power."[23] The same point, essentially, was made by Marx when he described the joint stock company as "private production without the control of private property."[24]

The claim collapses. Market forces continue to operate. The decisions of corporate management have an impact on the anticipated cash flow of the corporation, and this is reflected in share prices. Indirect though this market process may sound, it monitors and directs the behavior of management and prevents the misallocation of resources both Ludwig von Mises[25] and contemporary public choice theorists[26] ascribe to government bureaucracies.

The second claim under consideration—that oligopoly and monopoly have destroyed the classical market—again finds expression in Galbraith: "[a difference] which invades every aspect of economic organization and behavior, including the motivation to effort itself . . . [exists between] . . . the world of the few hundred technically dynamic, massively capitalized, and highly organized corporations on the one hand, and of the thousands of small and traditional proprietors on the other."[27] The same claim is made *ad nauseam* by those who have absorbed the Institute of Policy Studies' Amsterdam-based Transnational Institute's practice of describing transnational corporations as "fascist" and extend it to almost any corporation marked by size and a significant market share.

Size and a significant market share, however, do not constitute monopoly power. While no one has to my knowledge more scathingly described the *inclination* of businessmen to conspire than did Adam Smith, the fact is that unless large corporations *agree* to restrict pro-

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duction and thereby maintain high prices market forces continue to operate. Such agreement, however, is not easily achieved. The collapse of OPEC, noted earlier, is a case in point, as is the similar collapse of CIPEC which, in the 1960's, boasted a membership representing some seventy-five per cent of the world's exported copper. Firms, no matter how large, *unless they capture the coercive power of government,* are no more able long to defy market forces than King Canute could defy the laws governing the tides.

The problem is that when government patronage is up for sale businesses both can and do bid for it. And as noted earlier, such patronage *is* all too often up for sale. Whether purchased by unions or businesses, the resulting symbiotic relationship augurs ill for liberty and for the material well-being of consumers. Yet I underscore my central contention: the flaw is to be located in governments which, unlike King Canute, are oblivious of the laws which limit their powers. The only difference is that whereas the claim that King Canute *could* control the tides was easily and decisively discredited, claims that governments can intervene in the market place without disturbing the processes making for economic efficiency are not so easily refuted. As I have attempted to illustrate, a plethora of excuses exist for inflation or involuntary unemployment or decreasing material prosperity.

Further Study Needed

Those of us committed to economic and political liberty still, as Leonard Read always insisted, have much learning and thinking to do. Maybe the political structures described in volume three of Friedrich Hayek's *Law, Legislation and Liberty*[28] point in the direction we should be moving if we are to prevent governments going beyond what they can and must do. Maybe Gordon Tullock's scheme of so-called "vote payment"[29] merits thought, and study.

Yet I say "maybe." For in the last analysis, I believe our defense of the free market in a free society ultimately must appeal to the value we ascribe to individual autonomy. We are always, therefore, vulnerable—vulnerable to a process described in the book of *Deuteronomy:*

> When you have eaten and had all you want; when you have built fine houses to live in; when you have seen your flocks and herds increase, your silver and gold abound, and your possessions grow great . . . do not forget the Lord your God Who brought you . . . out of the house of slavery.[30]

Marx was in error when he perceived, in the proletariat, those who would destroy capitalism, rising up in protest against a system which allegedly defrauds and impover-

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ishes them. It is the *bourgeoisie,* the children of affluence, who have turned against the very system that delivered them from the "house of slavery" that is material destitution and rule by the whim of a privileged elite. It is they who scripted *Dallas,* created J.R., and thereby gave expression to their irrational abhorrence of the economic and political heritage of which they are the beneficiaries. Maybe you recall Marx and Engels' description of the symptoms they saw as indicative of the death throes of what they so hated: "constant revolutionizing of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation. . . . All that is solid melts into air; all that is holy is profaned."[31] It is when I read these words and then peruse my daily newspaper that I fear.

Yet at the same time I cling to the hem of hope. As King Canute demonstrated, there are some tasks governments cannot successfully perform. I have concentrated upon the economic and political limitations which, ignored by governments, wreak incalculable damage to all, governed and governors alike. Yet there is an even more fundamental limitation. Governments cannot destroy the capacity of men and women to dream their own dreams and yearn to make them come true, to formulate their own visions of the "good life" and yearn to realize them, to create their own goals and yearn to work towards them. Some of us call this capacity the *imago Dei*—the "image of God"—but it is the reality, not the words we use when we name it, that matters. The free market in a free society *is* amoral, informed by no one vision of the "good life" and guided toward no single end. Yet paradoxically undergirding it is a reverence for human autonomy, a reverence for the creative spirit of individual men and women, that no alternative way of organizing a society exemplifies.

The counterparts of King Canute's deluded courtiers are, today, legion. Governments wise enough and humble enough to reveal their limitations to fawning admirers and court chaplains are few. Yet the human spirit and its yearning for liberty survive. Leonard Read, in establishing the Foundation for Economic Education, put his ultimate trust in that spirit and in that yearning. And his trust was not misplaced.

—FOOTNOTES—

[1]I owe this illustration to John Passmore's Boyer Lectures, *The Limits of Government,* Australian Broadcasting Commission, Sydney, 1981.

[2]G. Lindsay and G. L. Sturgess, *Is Capitalism Faltering?,* paper presented to the 1983 State Congress, the Institute of Chartered Accountants in Australia, New South Wales Branch, May 1983.

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[3]*Ecclesiastes*, chapter 3, vv 1f.

[4]J. F. Revel, *The Totalitarian Temptation* (Harmondsworth: Penguin, 1978).

[5]A. Bullock and O. Stallybrass, *The Fontana Dictionary of Modern Thought* (London: Collins, 1977).

[6]P. Johnson, "Freedom and Wealth Creation," *Options*, April 1983, the Adam Smith Club, Sydney, Australia.

[7]L. von Mises, "Die Wirtschaftsrechnung im sozialistichen Gemeinwesen," *Archiv für Sozialwissenschaften*, vol. 47, 1920.

[8]Cf. F. A. Hayek, *1980s Unemployment and the Unions: The Distortion of Relative Prices by Monopoly in the Labour Market* (London: Institute of Economic Affairs, 1980).

[9]B. Jones, *Sleepers, Wake!* (Oxford: Oxford University Press, 1982).

[10]See Y. Brozen, "Automation: The Retreating Catastrophe," *Left and Right*, Fall, 1966.

[11]J. K. Galbraith, "A Way Out of the Oil Crisis," *National Times*, October 1979.

[12]P. T. Bauer, *Dissent on Development* (Cambridge: Harvard University Press, 1976); *idem.*, *Equality, the Third World, and Economic Delusion* (Cambridge: Harvard University Press, 1981).

[13]R. Minogue, "Between Rhetoric and Fantasy," *Encounter*, December 1980; *idem.*, "Toward a New Disorder," *Encounter*, September 1981; *idem.*, "UNCTAD and North-South Dialogue," paper read for the Centre for Independent Studies, Melbourne, May 1983.

[14]H. P. Metzger, *The Coercive Utopians: The Hidden Agenda*, paper delivered at the National Meeting of the American College of Nuclear Medicine, April 1978.

[15]"Interview: Ralph Nader," *Rolling Stone*, September 20, 1975.

[16]L. King, "Nuclear Power in Crisis: The 'New Class' Assault," M. R. Copulos, ed., *Energy Perspectives* (Washington: The Heritage Foundation, 1978).

[17]S. Lagerfield, "A Political Fiction? A Review of *Ecotopia*," *The Public Interest*, Fall 1979.

[18]E. Callenbach, *Ecotopia* (New York: Bantam Books, 1977).

[19]G. Lindsay and G. L. Sturgess, *op. cit.*

[20]J. F. Brenner, "Nuisance Law and the Industrial Revolution," *Journal of Legal Studies*, 1974.

[21]D. North and R. P. Thomas, *The Rise of the Western World: A New Economic History* (Cambridge: Cambridge University Press, 1973).

[22]A. H. Meltzer, *Why Government Grows*, International Institute for Economic Research, Occasional Paper 4, August 1976.

[23]J. K. Galbraith, *The New Industrial State* (Harmondsworth: Penguin, 1972).

[24]K. Marx, *Capital* (Moscow: Foreign Languages Publishing House, 1962).

[25]L. von Mises, *Bureaucracy* (New Rochelle: Arlington House, 1979).

[26]G. Tullock, *The Politics of Bureaucracy* (Washington: Public Affairs Press, 1965); W. A. Niskanen, *Bureaucracy and Representative Government* (Chicago: Aldine, 1971); A. Breton, *The Economic Theory of Representative Government* (Chicago: Aldine, 1974); T. E. Borcherding, ed., *Budgets and Bureaucrats: The Sources of Government Growth* (Durham: Duke University Press, 1977).

[27]J. K. Galbraith, *op. cit.*

[28]F. A. Hayek, *Law, Legislation and Liberty*, vol. III, *The Political Order of a Free People* (Chicago: Chicago University Press, 1979).

[29]G. Tullock and T. N. Tideman, "A New and Superior Process for Making Social Choices," *Journal of Political Economy*, 84, 1976. See also *Public Choice*, Spring 1977 supplement.

[30]Deuteronomy, chapter 8, vv 13f.

[31]K. Marx and F. Engels, *Manifesto of the Communist Party* (Moscow: Foreign Languages Publishing House, 1959).

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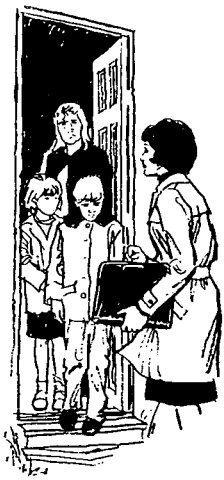
Roger M. Clites



CREATING FUTURE POOR

A frequent criticism of advocates of the free market is that they do not care about the poor. The critics look about, see that some people are poor, and immediately propose to alleviate that poverty by taking from people who are better off (called "the rich") and giving to the poor. They never stop to consider why some are richer than others.

Throughout history poverty has been the natural condition of mankind. Even today most of mankind lives in poverty. Instead of taking from that small portion of rich so that all may soon become poor, they should be asking how the few became rich and whether such a method might be used to raise the levels of the many poor. After all, when almost all were poor, it was not possible to take from others to become rich. Insufficient numbers of wealthy existed to make such action possible. Wealth had to be created, not taken from others.

Just as poor people cannot be made permanently better off by continually subsidizing them, poor societies cannot be made permanently better off by taking from richer societies. They must learn to create wealth. At one time there were no rich societies. Rich societies did not develop as a result of foreign aid. They had to create wealth. The only way for either an individual or a nation to continue to be richer over the long haul is to learn to create wealth. Handouts are, as the saying goes, "here today and gone tomorrow."

The real concern which we need

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to address when we consider redistributing income and wealth is the effect on initiative and on capital formation. If we retard capital formation, we reduce the rate of productivity increase and, of course, of economic growth. That means that those who live in the next year, the next decade, the next generation, indeed, the next century, will be less well off than they would have been had capital formation not been sabotaged by short-term attempts to alleviate poverty through redistribution.

Only the most callous among us is truly unaffected by the plight of the present-day poor—be they next door, across town, or on the other side of the earth. But, those who concentrate on taking wealth-creating assets from the "haves" to give consumer goods to "have-nots" overlook the fact that they are creating a poorer society for babes of the future to be born into.

Putting it in another perspective, had the redistribution policies they advocate been in effect a hundred years ago, they and most other rich people alive today would have been born into poverty—if they had been born at all. There would be even more of the present-day poverty which they decry if economic growth had been held back in the past by the imposition of such policies as they advocate today.

We must not let our concern for present-day poor so impede progress and economic growth that we consign future generations to conditions of even greater poverty. Just as the individual can grow economically only through saving and investing for greater future production, so a society can grow only by engaging in capital formation. Spending all of one's substance in the present leads only to poverty in the future—both for individuals and for a society.

Policies grounded in well-meaning but short-sighted attempts to help present-day poor by taking from those who produce and giving to others discourage current production so that even those alive today are not as well off as they otherwise would be. More important, such policies hold back economic growth so that children of the future will be condemned to live in a poorer condition than they otherwise would inherit from those currently living and enjoying the fruits of the capital formation of their forebears.

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Hal F. Watkins

THE SUPREME COURT (Economically Speaking)

"The buck stops here," read the plaque on President Harry Truman's desk. He was aware of the fact that much of the machinery of the federal government would not turn a wheel until he "pressed the button" with his signature. In theory, the president is not the court of final appeal, but rather the Constitution is. And, even here, the past few decades have wrought quite radical changes. We now are told that the Constitution means whatever the Supreme Court of the United States says it means.

This conclusion, to say the least, is certainly debatable. Americans in greater numbers are beginning to realize the *Constitution means what its framers intended for it to mean.* Those men of two centuries past knew human government was a necessity, but they devised a Constitution for the purpose of restricting the powers of government to the bare necessities. In their effort to diffuse power they said the legislative, executive and judicial branches of government should not reside in the same hands. It was their thinking that the law would view all Americans as equals, that is, no man would be granted special privilege by the law. The Supreme Court was to study the Constitution to determine its meaning (what the framers meant), then the Court would measure legislation and execution thereof by the Constitution.

The most famous and popular section of the Constitution contains the

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first ten amendments, the laws of the land designed to spell out the rights of an American to life, liberty and property. It would seem that the intent of the Supreme Court would be to see that these rights are not infringed. It should be the duty of these jurists to test every action of government by these uncomplicated statutes, and all of us should be wary of any action by public servants which tends to abridge constituted freedoms.

Ancient Justice

Students of freedom throughout the centuries of recorded history have not been numerous. Impartial justice has been a scarce commodity. In the heyday of the Jewish economy King Solomon established himself early in his career as a just monarch, and quickly the fame of his wisdom spread to other lands, and people of other countries traveled for miles and days to meet him and ask him questions to test his sagacity. One of those making the pilgrimage was the Queen of Sheba, and she was astounded by what she saw and heard. "The report I heard in my own country about your achievements and your wisdom is true. But I did not believe those things until I came and saw with my own eyes. Indeed, not even half was told me; in wisdom and wealth you have far exceeded the report I heard" (I Kings 10:6, 7).

Nine centuries rolled by and Jesus of Nazareth arrived on the scene. He found the intervening years had apparently dulled the appetite for wisdom and freedom among his contemporaries. They wanted wonders (miracles) but not wisdom. They wanted security not opportunity. He denounced his generation with these words: "The Queen of the South will rise at the judgment with the men of this generation and condemn them, for she came from the ends of the earth to listen to Solomon's wisdom, and now one greater than Solomon is here" (Luke 11:31). As a mature man Jesus returned to the scene of his childhood, stood up in the synagogue and applied the words of Isaiah to himself: "The Spirit of the Lord is upon me, because he anointed me to preach good news to the poor. He has sent me to proclaim freedom for the prisoners and recovery of sight for the blind, to release the oppressed, to proclaim the year of the Lord's favor" (Luke 4:18, 19). This incident culminated in his being forcibly escorted out of town.

Today it is quite generally agreed that none wiser than Jesus has ever set foot on the earth, and multiplied millions are studying his word every day. They believe the statement of the apostle Paul that Jesus "has become for us wisdom from God" (I Corinthians 1:30).

With qualifications like these we would expect Jesus to give us the right answers to any questions we

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might bring to him. Or, putting it another way, if there is a solution to the problem, he would surely have it. In connection with these thoughts, one incident in the life of Jesus caught my attention and made me think of the wide application it has to our lives, personally, nationally and internationally. "Someone in the crowd said to him, 'Teacher, tell my brother to divide the inheritance with me.' Jesus replied, 'Man, who appointed me a judge or an arbiter between you?' Then he said to them, 'Watch out! Be on your guard against all kinds of greed; a man's life does not consist in the abundance of his possessions' " (Luke 12:13–15).

I don't doubt the ability of Jesus to come up with the right solution to the fretting brother's problem. In fact, I think he was quite close to it when he introduced the subject of greed. With all the knowledge and insight possessed by Jesus his perfunctory dismissal of the case told the man: "There are laws, wills and courts. Either you have not explored these, or you are not content with justice."

The man who developed this problem was like too many in our own society. He didn't trust rule by law. He thought his was a special case, and the law should be set aside just for his benefit. He didn't want justice; he wanted privilege. The number of such people in our time is legion. Not only are the courts full of cases where people are trying to break wills, but there is a steady stream of privilege seekers beating on legislative doors demanding special dispensations, grants, transfer payments, and the like, most of which would put them on easy street. They want to avoid the rigors of work that would be imposed upon them by free and open competition, so they call upon the "authorities" for a judgment in their favor. Often the "authorities" are politicians who think only in terms of the next election, and they are willing to sacrifice justice and principle in favor of expediency.

The Presumption of Rulers

Closer examination of this incident brings another concept into focus. If Jesus did not presumptuously settle a financial problem between two brothers, why in the world should I or any one of the rest of us assume we are so wise we can divide the wealth of the whole human race? Isn't there something wrong with a system that takes a man who has demonstrated no particular proficiency in managing his own financial affairs, elects him to public office, then supposedly endows him with the wisdom to manage the fortunes of all the rest of us? According to our Constitution he was not put into office for this purpose.

But this man, with his cohorts, looks at one segment of our society

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and arbitrarily decides it has too great a portion of the available wealth and resources. He sees another group (always a "minority") which has a relatively smaller percentage of the total wealth, so, by means of the police power vested in him, he takes from the first group and gives to the second. This is a ripoff which causes him no pain because he has no direct investment in the exchange beyond political expediency. If he ever had a conscience against stealing, it must have been dulled by the immorality of the past two or three generations. He makes valiant attempts to justify his theft by pleading the cause of the "poor," but like Judas of old, his interest in the poor does not concern their ultimate welfare but rather the bag of votes which he carries.

The whole sorry system is immoral: 1) It is theft at the point of the government gun. 2) It promotes greed or covetousness in the hearts of the "have nots," and this is just the thing against which Jesus cautioned: "Be on your guard against all kinds of greed." 3) It encourages superstition in that it transfers faith from Almighty God to Big Daddy (almighty government). 4) It discourages ambition in the otherwise industrious as they conclude, "What's the use; they will take it away from us anyway." 5) It destroys thrift in the "poor," those who need such schooling so badly. 6) It removes the members of a large segment of the population from productive pursuits and embalms them in regulatory bureaucracies on high salaries at the expense of the taxpayers. 7) God has never blessed immorality, so the net result of the fiasco is a general decline in everything that has to do with the advancement and welfare of the economic community.

Government Welfare Programs Discourage Personal Charity

Another casualty of this kind of bureaucratic distribution of resources is real charity, a cardinal tenet of the Christian religion. When those who have the means or ability to relieve need and distress see the "needy" coming at them like vultures under the leadership of a vote-hungry bureaucrat, it has a chilling effect on the mercy motive. Jesus said, "The poor you have with you always," and he enjoined compassion toward them. But when the government says, "We will decide just who is poor, who will pay and how it will be done," it leaves little opportunity for the exercise of a vital Christian grace. The real love and charity which are part and parcel of Christianity are not tax-deductible. If you want a government waiver for your gifts, they must be made to approved organizations or foundations, therefore the salutary benefits of a one-to-one relationship between the donor and donee are wiped out.

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Many who would otherwise do so just can't afford to help a neighbor any more.

Then what man is wise enough to handle the problem? It would seem that the obvious answer is: *No one,* nor is there any committee of select men having this kind of wisdom. The solution to the problem of the production and distribution of scarce resources lies in the billions of uninhibited decisions of all the producers and consumers, acting according to their own needs, desires and charitable instincts. Government can best serve the economic community by leaving it alone and punishing any attempt to thwart this divinely blessed process. The Supreme Economic Court is composed of a jury made up of millions (billions, when taken worldwide) of buyers or customers. They vote in favor of a good or service when they buy it—*if* they are free to make a choice. They vote against a good or service when they turn it down in favor of something else. In a free and open economy "the buck stops here."

IDEAS ON LIBERTY

Charity Debased

THE ORIGINAL CONCEPT of charity as an expression of love, now appears to have been largely replaced by a concept of government-guaranteed security. One possible explanation for the development of this concept of charity may be that so many people felt that personal responsibility in the dispensing of charity was too slow and inadequate. Thus they chose to move into the speedier method of the use of public funds.

Admittedly, the motives of these people were probably good and charitable. But the method chosen was uncharitable because love was replaced by force. The spirit of charity was debased to "public welfare," and the shift from personal responsibility to grants by the state was on. The flow of state funds for relief and rehabilitation has become greater and greater, and the part that personal responsibility can play has necessarily become less and less.

The element which gives meaning to charity is personal consideration and responsibility, but that element is lost when the edicts of the state are substituted for the voluntary decisions of persons. The means have destroyed the ends.

RUSSELL J. CLINCHY

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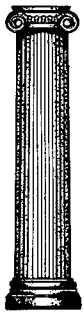
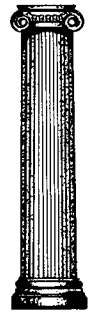
Clarence B. Carson



THE NEED FOR POLITICAL THEORY



THAT which constitutes our political being is in approximately the same condition today as the dollar. That is, it has depreciated, is debased, and has come unsprung from the original fount of its value. Nor are the two things unrelated. A good case can be made that the debasement of the currency goes hand in hand with the debasement—departures from, unraveling or violations of—the political constitution. There is much evidence to support this interpretation from American history. If we look at those times in our history when the Constitution has been subjected to the severest strains and has in important respects been debased—the Civil War, World War I, and from the beginning of the New Deal to the present—we can discover that they are also times of the debasement of the currency.

In the broadest sense, it is not difficult to see why these two developments may occur more or less simultaneously. The United States Constitution restricts and restrains government, restrains it in regard to interfering with the money supply as well as in other respects. When these restraints are loosened and government asserts its power, one of the areas where it is apt to move early is to increase the money supply, i.e., debase the currency.

These things are especially likely to happen together in the midst of war, because the exigencies of war provide a pretext for overriding the Constitution, and the requirements of unusual expenditures provide the occasion for increasing the money supply. Either weak or popular governments are especially prone to raise money by debasing the currency rather than by unpopular tax-

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ation. The juncture of all these conditions leading to the conclusion that might be expected were amply demonstrated in the American War for Independence. The British constitutional restraints on American governments were removed by the Declaration of Independence. The new state governments were attempting to become popular by avoiding heavy taxation or collecting the taxes levied. The Continental Congress was weak, lacking the power even to levy taxes. The outcome was that the country was flooded with paper money; there was runaway inflation, and such money as existed was debased beyond recall.

More deeply, governments whose legitimacy or constitutional authority are in doubt rely increasingly on force to obtain their ends. One of the areas of the application of force is in monetary creation (or attempts to do so) and tender laws. These result in the debasing of the currency.

Debasing the Political Currency

My main point, however, has to do, not with money, but with the debasing of the political currency, so to speak. The references to money are for two reasons mainly: one, the depreciation of the currency is more readily observed and even measured; two, there are some important parallels between them. Our Constitution, the Constitution of 1787, went into operation in 1789. Our monetary system was firmly defined in 1792.

The dollar is the basic unit of American currency. "Dollar" was apparently an English term to refer to a Spanish silver coin known as the peso or piece of eight. The term is a corruption of the Bohemian term, "thaler," which was widely used in Europe from much earlier times. The Spanish coin was widely circulated in the United States in the early 1780s. In 1782, Gouverneur Morris (most famed for the major role he played in the Constitutional Convention) published a plan for a monetary system based on the decimal system with the dollar as the main unit. His plan was eventually carried into effect. In the same work, he argued against tender laws, and in the Convention he played a leading role in denying the power to the states and the United States to issue unbacked paper money (bills of credit).

In 1792, the dollar was defined as 24.75 grains of fine gold or 371.25 grains of fine silver. The benchmark coin was the silver dollar, though gold coins of $2.50, $5.00, and $10.00 were given equal standing. The dollar went through some minor changes in definition in the course of the 19th century. The bimetallic standard was always troublesome because the market value of the relation between gold and silver changes, causing difficulties in the

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circulation of coins of one or the other metals. In 1873, silver coins were demonetized, i.e., became nominal rather than real (weight in precious metals) money. Thereafter, they continued to circulate at full value, since they were redeemable in gold. In effect, the United States had moved to a gold standard, though the waters were muddied for two decades longer by partial moves toward reinstating silver. At any rate, up until 1934 the dollar was defined in terms of a specific weight in precious metals and was ordinarily redeemable in either gold or silver, or both.

The Dollar Devalued

A dramatic change occurred in 1934, one which had been building for nearly a year. The dollar was drastically devalued in 1934. The gold content of the dollar was legally defined as 15 5/21 grains of .9 fine gold. To put it another way, the price of gold in paper dollars was raised from $20 dollars, approximately, per ounce to $35. The dollar was severely debased in one fell swoop, so to speak. But that exchange rate was made moot in domestic exchanges. All gold coins and bullion (if any) were called in, and it became illegal for Americans to own any gold except in ornaments. Federal Reserve notes were made legal tender for all debts public and private, and they were no longer redeemable in gold by Americans. Silver certificates were issued which were redeemable in silver, but silver continued in its nominal role for several decades.

Since 1934, the value of the dollar has generally declined steadily, sometimes precipitately. It declined precipitately after World War II and in the 1970s. There are different ways to measure the decline of the dollar. It can be measured in terms of gold, for example. If the value of a dollar was 100 in 1933, say, its value today is less than 5. To put it another way, an ounce of gold today costs more than 20 times what it did in the early 1930s on the market. Or, the dollar can be measured in terms of what it will buy in goods generally. Measurements in this area are imprecise, however, not only because there are differences from product to product in changes in prices but also because the quality of many products changes over the years. In general, though, one dollar today will probably buy approximately what 10 cents would buy in 1930; in some things more, and in others less. In any case, anyone who has lived for very long knows that the dollar is declining in value.

The dollar has been debased. It had a definite base from 1792 to 1934. That base was defined in grains of precious metal(s), and to assure the base, banknotes (paper money) could usually be exchanged at face value for the specified weight of precious

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metal(s). The debasement began in earnest in 1934 and was completed in 1971, after which the dollar was no longer defined by definite amounts of gold on foreign exchanges. As the debasement proceeded, so did the decline in what the dollar would buy.

A Solid Foundation

Americans of foresight and learning in the 1780s and 1790s generally agreed that anything that was to endure for any appreciable length of time must have a firm foundation. It must have a solid base. The base of the government was a constitution. On that point, Americans were in almost universal agreement. The base of the money supply was precious metals. There was not universal agreement on this point, in theory anyway. (In practice, almost everyone preferred coins of precious metals to paper money, unless the latter were readily redeemable in the former.) But those who held to that theory carried the day. If money was to perform its function well it must have a solid base in precious metals. If a government was to be held to its function, it must be based on a written constitution.

Both the United States Constitution and a dollar based on precious metals were undergirded by theories. The economic theory undergirding basing the currency on precious metals can, perhaps, be stated simply. It is desirable that the money be relatively stable in value. Alexander Hamilton put the reasons this way: "The inducement . . . is to render the unit [the dollar] as little variable as possible; because on this depends the steady value of all contracts, and, in a certain sense, of all other property."[1] Why precious metals? Because they are widely accepted and have proved not to be subject to wide variations. Neither Hamilton nor his peers generally believed that government could give value or stability to money. That was something that could be done only by men acting in the marketplace. It was something that had been done for gold and silver.

Although Hamilton recommended a bimetallic system (apparently in full awareness of Gresham's Law) he did observe that "As long as gold, either from its intrinsic superiority as a metal, from its greater rarity, or from the prejudices of mankind, retains so considerable a preeminence over silver, as it has hitherto had, a natural consequence of this seems to be that its condition will be more stationary."[2] The complete economic theory undergirding these views is much more extensive, of course, but these examples may serve to suggest something of the whole.

The political theory undergirding the Constitution has to be in considerable degree deduced from what was done. We know, of course, that the political philosophy of the time was

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greatly influenced by the natural law philosophy and natural rights doctrine. The idea of having a written constitution was buttressed by their colonial experience, their colonial charters, the covenant idea, and the attitude of Protestants particularly toward the Scriptures. The British, too, had writings in their background which stood above the rest, such as Magna Carta, the Petition of Right, and the Bill of Rights. The Constitution was conditioned, too, by the specific purposes of the Constitutional Convention. The men gathered there had the task of laying the foundation for a general government with limited powers. The powers must be limited both to protect the integrity of the already existing states and the rights of individuals which preceded all governments.

But the idea which informs the whole Constitution is that of a governmental system of balanced tensions. The model for this system was almost certainly the Newtonian conception of the universe with its gravitational pulls, its centrifugal and centripetal forces, all of which kept the planets in their separate orbits and everything in its place. Tension is necessary to the vitality of government, as to every undertaking or operation, even to life itself, but to provide both the tension and to keep it in bounds there must be counterbalancing forces or tensions.

A Balance of Powers

The problem faced by the men at the Constitutional Convention was how to give the general government sufficient power to do its job effectively yet to so circumscribe these powers that they would not come to dominate everything. It can be likened to the problem of our universe: How to give the sun sufficient power to pervade the whole with its light and hold the planets in their orbits so that they do not fly off out of the system by their own centrifugal force and yet not so much power that they are drawn into the sun and absorbed by it.

None who gathered at the convention had a definite plan for achieving such an intricate balance of tensions. They had a political theory by which to achieve it, of course. It was the doctrine of a separation and balance of powers. But how to articulate this doctrine in a new system, none had a clear-cut idea at the outset. Actually, the difficulty was more complex than that. Most were much more concerned with their interests in particulars of what was to be accomplished than with the overall system. A few were so determined to have a strong national government that they would have been willing to make the states into administrative units. More were so concerned with preserving the independence of action of the states that they were reluctant to clothe the government

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of the union with power at all. Some wished to make the general government an instrument of the states. Others wished to trace all power in the general government directly from the voters, to have frequent elections, and to make the government much more democratic than the one actually provided.

Yet in the midst of the debates and compromises, the pulling and pushing this way and that, the attempts to vest power or to restrain it, the Convention devised probably the most complex system of balanced tensions that has ever functioned as a government. The solution they arrived at—the Constitution—was a system of separate yet intertwined powers. The federal government was composed of three branches, each sufficiently separate and independent to perform its alloted function. Yet, on the other hand, each branch was more or less dependent upon or restrained by the others so as to limit the exercise of powers. The general government was assigned a limited sphere of operation, and the states retained an independence of operation and their integrity as distinct governments. At the same time, the general and state governments had means of limiting the other. The federal government was made supreme in its realm, and the states retained a check primarily in that state legislatures could elect the members of the Senate.

Offsetting Tensions

There are different ways to describe this system of balanced tension. One would be a step by step analysis of the Constitution. Another would be to describe the powers alloted and show they are counterbalanced in various ways. Unfortunately, any detailed description here would turn this essay into a book. Perhaps, it can be suggested, however, in a few words by reference to the political theory of the Founders. It was generally accepted that one of the prime motives of man is the love of power. That being the case, thoughtful men understood that if men were to be drawn into government service and that if the government was to be activated, it must possess power. But power over men is a dangerous thing. This, too, Americans accepted as a universal truth. Hence, men in power must be restrained in its exercise. To do this, so the Founders thought, they must be pitted against others with power, also seeking to extend or retain their own, so as to be constrained. A system of balanced tensions was the result.

There have been concerted efforts in the 20th century to relieve or remove these tensions in the American system. These efforts have generally been carried on under three distinguishable ideological banners, though, in practice, the movements have often been indistinguishable.

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One assault on the balanced tensions has been made under the banner of *nationalism*, another under that of *democracy*, and a third with the tacit goal of *equality*. Actually, the same people and groups have pushed all three, though with varying emphases from time to time. The results of the efforts have not been so much decisive as they have a sustained erosion of the system of balanced tensions.

If we had traced the vicissitudes of the dollar throughout the course of the history of the United States, we would have discovered that it was subjected to erosions in value from time to time. So it has been, too, for the political system of balanced tensions. The thrust to democracy, or popular election, made inroads on the state counterbalance of power in the 19th century, particularly with the popular election of presidential electors (as opposed to election by state legislatures). A much more serious inroad was made on the counterbalance of state to federal power in the early 20th century by the adoption of the 17th Amendment to have direct election of Senators. Theretofore, Senators had represented the state governments, technically at the least, for they were elected by state legislatures.

The thrust to nationalism during the Civil War and Reconstruction was overpowering for a time. Indeed, some historians have held that nationalism triumphed during the Civil War and has never been headed since. A better case can be made, I think, that by the 1890s the states had reasserted much of their power and authority as well as much of their integrity as independent entities. The thrust to nationalism gained headway once again with the Progressive movement in the early 20th century.

The New Deal

But, as in the case of the dollar, the sustained erosion of the American balanced system became headlong with the New Deal. There is no way to measure with any exactness, of course, the degrees of the distortion or disintegration of a political system of balanced tensions. The conformity of government to the Constitution cannot be measured in grains of precious metals of a certain fineness. Nor do governments behave like clocks, cease to keep correct time when the balancing springs are sprung. The malfunction of governments is a matter of judgment and discernment. Within that framework, the evidence of imbalance can sometimes be nearly as precise as the weight of coins.

At any rate, it became discernible very quickly with the coming of the New Deal that the political system was being moved off center and out of kilter. The President took over the momentum of the government, de-

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vising legislation and pushing it through Congress with unprecedented swiftness. Congress acted like a rubber stamp for the President in the first hundred days of the New Deal. Nor did presidential power wane much in the ensuing months and years, though Congress did occasionally "veto" some presidential initiative.

But the New Deal was not simply an aggrandizement of power within the federal government to the President. There was a great extension of the sphere of the federal government, as national power was extended into realms formerly reserved to the states or to the people: relief, regulation of business, labor regulation, agricultural controls and subsidies, and so on. The consolidation of power in the national government proceeded, sometimes abruptly and swiftly, during these years. A peculiarly American nationalism gained ground.

Judicial Restraint

The federal courts attempted for several years to hold the line against this massive assertion of power, to hold the legislation up to the guideline of the Constitution, and to maintain or restore balance to the system. The courts refused to enforce the central pieces of New Deal legislation. President Roosevelt proceeded to attempt to intimidate the courts: charging members of the Supreme Court, several of them, with being too old, out of touch with conditions, with legislating rather than doing their judicial jobs, and attempting to impose their prejudices on the country. Moreover, he proposed a plan for packing the courts with his own appointees if the older judges did not see the light and resign.

In making public this proposal, the President gave a curious description of the American system of government. He "described the American form of Government as a three horse team provided by the Constitution to the American people so that their field might be plowed. The three horses are, of course, the three branches of government—the Congress, the Executive and the Courts. Two of the horses are pulling in unison today; the third is not." In short, the courts were not pulling their weight. He answered the charge that he was trying to drive the horses by declaring that "the President, as Chief Executive, is himself one of the three horses."

"It is the American people themselves [he said] who are in the driver's seat.

"It is the American people themselves who want the furrow plowed.

"It is the American people themselves who expect the third horse to pull in unison with the other two."[3]

What Roosevelt described was not, of course, a governmental system of

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balanced tensions such as was provided in the Constitution. What he described was his vision of a nationalized unitary government, all branches of which would be actuated by a common impulse. There would be no counterweight to the popular will of the moment, no counterweight to presidential programs, no counterweight to any acts of Congress, and no counterweight to centralized government power itself. Indeed, it is not at all clear why either the Congress or the courts were necessary in his scheme. If the people were all behind it, the only useful branch would be the executive, to promulgate and implement the programs. That was the tendency of the imbalance during the New Deal and for some years after it.

These notions (though their implications were not usually spelled out) were advanced under the rubric of democracy. Roosevelt used the term over and over in his speeches, and he was certainly relying upon its shadow in referring to the people as the drivers. It would have struck the Founders as a very strange use of the language to refer to presidential government as democratic. On the contrary, they described the position of the President as "monarchical," i. e., rule by one, which it clearly is. Indeed, many at the Constitutional Convention were so averse to any relics of monarchy that they favored an executive composed of two or three persons, at the least. They referred to the Senate as being "aristocratical," i. e., rule by a few, both because of the small number of its members and the manner of their selection by state legislatures. They referred to the House of Representatives as being "democratical," i. e., rule by the many, both because of the larger number of the members and their direct election.

The Founders did not mean, of course, that they were providing for government that would be either a monarchy, an aristocracy, or a democracy. Instead, they understood that there were elements of all three in it, but that it would be a constitutional federated republic, based ultimately, but indirectly, upon popular decision. What their theory helps to make clear, however, is what the direction would be in any shift of power to one or the other of the branches.

The government was debased by the New Deal and its aftermath. That is, it was moved away from its base, and the political currency was depreciated, so to speak, under the guise of democracy. The facts of American government have moved farther and farther away from the theory on which it was founded.

In 1960, an English professor, Alfred Cobban, published a small book entitled *In Search of Humanity*. He was Professor of French His-

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tory at London University, but the book was the result of lectures delivered at Harvard. The thesis of his book is that Western political practice is subsisting on the residues of 18th-century political theory. "For a century and a half," Cobban said, "the Western democracies have been living on the achievements of the Enlightenment, and on the stock of basic political ideas that were last restated toward the end of the eighteenth century. That is a long time." In consequence, "The gap thus formed between political facts and ideas has steadily widened."[4]

The Implementation of Ideas

The spread of ideas takes place in such a way that in a given century it often happens that people are living substantially off the ideas of the preceding century. At any rate, Cobban maintains that the West lived off ideas that had last been restated in the 18th century, and lived well enough, too. But by the 20th century, they still had only the faded remnants of earlier political theories, and their practice had come loose almost entirely from the rational and ethical elements in those. The most obvious result, he thinks, has been "the increasing re-brutalization of contemporary life, particularly, though by no means exclusively, manifested in its politics."[5] That is a rather hygienic way of referring to the monstrous assertions of force by governments upon their peoples and others in the 20th century.

And what does the West have to offer instead of the grotesque assertions of political power? "In the absence of rational and ethical discussion," Cobban said, "of the ends of society, political theory has tended to turn into either the analysis of mere power relations, with no attempt at judgment on them, or else the repetition of shibboleths, words like 'peace' and 'democracy' which may mean anything or nothing. . . . They have become at best mere . . . symbols like the old school tie, which can be used alike by those who are and by those who are not entitled to them. Their hollowness is the measure of the problem before us."[6] The problem, as he saw it then, was the great need for political theory.

At about the same time that Cobban's book appeared, I published an article entitled "The Concept of Democracy and John Dewey." My thesis was that "democracy" had indeed become a shibboleth in the United States, that the more widespread its use had become the more vague and imprecise the meanings attached to it. The body of the article catalogued at least 30 more or less distinct, yet imprecise, meanings in which John Dewey had used the word. He had, of course, used every one of them approvingly. One of my conclusions was that "democracy" was being used as

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a word to conjure with and as a substitute for thought. Another was that it stood in the way of much-needed political thought. "All this would not be so important," I pointed out, "if there were not so great a need for new political thought, or at least for re-thinking our assumptions and beliefs." Despite the mounds of evidence of governments running amok, "twentieth-century America is a wasteland so far as political thought is concerned. In part, at least, this absence of thought can be laid to the fact that thinkers have been mesmerized by the pleasing sound of the word democracy."[7]

Whether the use of democracy as a magic word to conjure with has moderated since that time I am not certain, but one thing is clear, at least to me. The United States government has moved even farther off base than it was at that time. The main instrument for this debasement has been the federal courts, especially the Supreme Court. Moreover, it would require an Herculean effort to cover what has occurred with the concept of democracy. Even as Cobban was issuing his call for political theory, the Supreme Court, under the leadership of Chief Justice Earl Warren, was moving toward judicial activism, which became rampant in the 1960s and since. The Court moved with great vigor to relieve all the tensions not only in the government but in the society as well.

Judging by the proliferation of court cases as well as the decisions, both the courts and many people believe they can resolve all questions and relieve all tensions. Far from having a government of balanced tensions, the balance of power has shifted toward the courts; state governments have been permeated with the power of the federal courts and in significant ways deactivated; Congress has stood supinely by; and Presidents await the next court decision to find out what the law now is. The structure still stands, but it has been badly wrenched from its mooring by successive shifts of power and the deactivation of counterbalancing forces.

A Growing Need

I take it, then, that the need for political theory has increased rather than diminished over the years. My point is not that there is necessarily any need for political theorizing, though there may be, and I certainly do not mean that there is a need for mere political speculation. What is needed, rather, is a much broader realization of the role of political theory to political activity. We act on the basis of our assumptions, whether we have brought them to consciousness and are aware of them or not. However vague, imprecise, and inchoate our reigning ideas, they guide us and produce their inevitable consequences.

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Over the past century, we have come increasingly as a people under the sway of an ideology, mainly socialist ideology. Socialism neither has nor contains any political theory worthy of the name. It has instead a vision of the future in which man and society have been reconstructed. Gradualist socialism appropriates the existing political institutions and attempts to bend them to its purposes. Government is assumed to be a creative device by which man and society can be reconstructed. Therein lies the socialist justification for the concentration and exercise of large measures of power. It is this "creative" use of power that has virtually destroyed the dollar. It is this "creative" bending of government that has wrenched it from its moorings.

Sound political theory is virtually the opposite of such ideologies. It is based (whether explicitly or by way of assumption) upon the nature of man, the nature of government, and the nature of society. It does not see government as either the fount or end of man, but rather begins, as it always must begin, with the understanding that government operates by force. From that vantage point, political theory can proceed to an elaboration of the limits and legitimate functions of government. But it is not necessary to invent political theory; that task has long since been performed for us. "And if political theory revives," as Cobban pointed out, "if the idea of purpose is reintroduced into political thinking, we may take up again the tradition of Western political thought. . . ."[8]

To restore the dollar, or whatever a currency may be called, it is necessary to base it on sound economic theory. To restore the governmental system of balanced tensions, it is necessary to have a political theory that supports such a system. When we become sufficiently aware of the need for political theory, we will no doubt turn to it and appropriate that from our past which will be helpful. No doubt much that has happened in the past 200 years could shed new light on government. Hence, new theorizing on the base of the old may make a welcome addition.

—FOOTNOTES—

[1]Richard B. Morris, ed., *Alexander Hamilton and the Founding of a Nation* (New York: The Dial Press, 1957), p. 355.

[2]*Ibid.*, pp. 355–56.

[3]Ben D. Zevin, ed., *Nothing to Fear: The Selected Addresses of Franklin D. Roosevelt* (New York: Popular Library, 1946), pp. 109–10.

[4]Alfred Cobban, *In Search of Humanity: The Role of the Enlightenment in Modern History* (New York: George Braziller, 1960), p. 241.

[5]*Ibid.*, p. 242.

[6]*Ibid.*, pp. 243–44.

[7]Clarence B. Carson, "The Concept of Democracy and John Dewey," *Modern Age* (Spring, 1960), pp. 186–87. The article was also published in the Appendix of *The Fateful Turn* (Irvington: The Foundation for Economic Education, 1963).

[8]Cobban, *op. cit.*, p. 241.

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James W. Harris

Thoughts on "Being Our Brother's Keeper"

"We are our brother's keeper!"

Those who argue for individual liberty and economic freedom are often met with this phrase. Frequently it is used to justify government intervention in the economic or personal lives of others, and the taxation that supports such intervention. The list of programs inspired by this concept is almost endless: welfare, social security, victimless crime laws, various trade restrictions, and so forth.

One can attack such programs from a utilitarian standpoint quite effectively. With some research, and a solid grasp of basic free market economics, one can demonstrate convincingly that government anti-poverty and income redistribution schemes are mostly useless, ineffective, and destructive; and that social reforms effected through the political process inevitably end up encouraging and exacerbating the very problems they are meant to solve.

However, to the ardent and well-intentioned advocate of these programs, a solely utilitarian argument against them simply will not wash. The programs are ineffective? Then even stronger, more drastic programs are needed. The public resists the programs? Then stricter controls on human behavior are called for. Such advocates, after all, are arguing from a *moral* position. They are aware of often very legitimate concerns, and wish to do something to correct what they perceive as intolerable and unnecessary wrongs. Convinced of the moral

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rightness of their cause, they are willing to pay—and make others pay—a high price for their attempts. "We are our brother's keeper," they reason, "and it is only just to use our political system to correct injustice and help the unfortunate."

Utilitarian arguments alone, then, cannot effectively combat such reasoning. Instead, a rationally presented *moral* argument against the principles behind this kind of thinking must be put forth. One powerful step in this direction is to show the complexity of the phrase "we are our brother's keeper," and to demonstrate the traps that an unthinking or unaware use of this concept can lead to.

Many who so readily use this concept to justify their actions fail to realize that there are actually *three distinct ways* of assuming the role of "our brother's keeper." Each of these three ways may seem superficially similiar, at first glance. Yet ultimately the differences between them are profound.

Voluntarism vs. Compulsion

The first way of "being our brother's keeper" is to offer voluntary donations of aid, service, advice, money, goods, and so on to those who are in need. This is the classic definition of charity: voluntary giving. Exhortations to aid the needy and unfortunate in this manner are found in the teachings of all the great religions of the world, and in the writings of many of the great humane philosophers. Such giving may be motivated by sincere personal concern, by social pressure, by a desire for recognition, or by other factors. But whatever the motivation, the key distinction here is that the giving is *voluntary*.

A second method is to *compel others* to "be their brother's keepers." This can be done in our society in several ways, all enforced by government through the political process. People may be taxed, and the resulting money used to fund various welfare programs deemed proper by the government. Some individuals may be compelled to follow various standards in their personal and economic relations with others: they may be forced to pay a minimum wage, to hire someone they don't wish to hire, or to make business concessions in the "public interest." Sometimes even more direct compulsion may be used: some may be forced to serve in the military, or (as many have proposed) to spend a few years of their lives in some form of compulsory "public service." All of these actions and concepts have a common denominator: the use of *force,* through the political process, to compel some members of society to look after others, regardless of their wishes or beliefs.

The third way in which some em-

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brace the idea of "being our brother's keeper" is to demand that *they* (or those who share their viewpoint) be given the power to interfere in the lives of others, "for their own good" or for "the good of all." Again, in our society this is generally done through the political process. We may be taxed, so that our money can be spent by politicians and bureaucrats "in our own best interests." We may be prevented from purchasing some items considered harmful to ourselves, such as certain medicines, drugs, books, tools, and so on. Various kinds of peaceful human relations, religious practices, political beliefs, and the like may be prohibited, to "protect us from ourselves." Endless other examples could be culled from our present society. Like the examples in the previous paragraph, the common denominator linking these and similiar acts is the use of *force,* through the political process, to thrust the ideas and will of some members of society upon others.

The Power of the Gun

So we see that the concept of "being our brother's keeper" is much more complex than many may at first realize. The first method—voluntary giving—is non-violent, and in accord with widely recognized religious and humane teachings. The second and third methods, though, differ markedly in that they rely upon the use of *force,* through the political process, to achieve their ends. Many who advocate political coercion to accomplish their goals fail to realize the violence inherent in their methods, or deny it altogether. Nevertheless, the violence is unmistakably there. The dictum, "All political power comes from the barrel of a gun," is an accurate and insightful one. Its truth is easily demonstrated: attempt to go against the will of those in political power who would force you to be "your brother's keeper," or who would regulate your life, and you will find yourself under threat of fines or imprisonment. Backing up such threats is, finally and inevitably, the power of the gun.

Indeed, in a very real sense it is the *slavemaster* who is the ultimate embodiment of the second and third ways of being "our brother's keeper." It should never be forgotten that many apologists for slavery in our own country, a mere few generations ago, based their arguments upon religious and moral grounds. Biblical passages were interpreted in such a way as to justify slavery. It was claimed that the slaves were much better off in bondage, where they were fed, clothed, and cared for. Apologists maintained that the slaves were "heathen," and benefited from the religious instruction they received from their owners; that they were incapable of looking after themselves, and therefore needed the

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institution of slavery for their own protection.

In brief, the apologists for slavery argued that they had a moral and legal right to use violence against other men, for "their own good" or to "protect them from themselves"—precisely the same arguments used by many who advocate political violence today. It should be remembered, too, that this form of slavery—recognized today almost universally as being a hideous violation of the most basic human rights—was sanctioned by the federal government and many state governments, as well as by numerous religious and community leaders. In many states, those who actively fought against the institution of slavery were classified by the law as criminals—just as are those today who violate the various coercive laws that prohibit so many forms of peaceful, non-violent human behavior.

Morality Based on Violence Is Fundamentally Flawed

At this point we have clearly shown that those who use the concept "we are our brother's keeper" to justify the use of political force are, in fact, advocating the use of violence against non-aggressive individuals. The advocate of liberty will point out that a morality based on violence is fundamentally flawed—that, no matter how valid or urgent one's ends might be, one's means must always be moral as well, if society is to remain on a civilized basis.

To resort to the use of violence, whether political or non-political, is to resort to the tactics of the bully or tyrant, the tyranny of the strong over the weak. To sanction the use of violence against peaceful individuals to achieve one's goals must ultimately lead to a society in which the individual means nothing; in which no human rights are viewed as inherent and free from invasion; and in which violence of all kinds—both political and non-political—becomes more acceptable in the minds of many as a way of achieving one's desires.

The libertarian rejects the moral basis of those who favor the second and third methods of being "our brother's keeper." In its place, libertarians offer another ideal: the concept that everyone should be free to live as they wish, providing they harm no one. Instead of a society based upon violence and coercion, libertarians offer the vision of a society based upon peaceful relations, free exchange, and mutual aid.

Having stripped the advocates of force of their moral sanction, and having offered in its stead a principled moral vision of peace, freedom, and cooperation, we are now in a position to use the many powerful utilitarian arguments for liberty to their

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best advantage. Having shown the morality of the free society, we can now demonstrate that such a society *works*—and works far more efficiently, effectively, and fairly than one based upon political violence. There is a wealth of such arguments, and they show convincingly, with facts and figures, the vast productive superiority of the free market compared to the controlled economy.

So we see that the urge to be "our brother's keeper" can manifest itself as the highest of humanitarian ideals, or as the brutal tyranny of the brigand or slave-holder. Those who unknowingly parrot the phrase "we are our brother's keeper" in order to establish a moral legitimacy for the use of violence to achieve their pet social goals must be met with a rational, moral, principled condemnation of their methods. This, coupled with a carefully constructed utilitarian refutation of their arguments, makes a powerful and persuasive case for the free society.

IDEAS ON LIBERTY

Despotism in Democratic Nations

ABOVE this race of men stands an immense and tutelary power, which takes upon itself alone to secure their gratifications, and to watch over their fate. That power is absolute, minute, regular, provident, and mild. It would be like the authority of a parent, if, like that authority, its object was to prepare men for manhood; but it seeks on the contrary to keep them in perpetual childhood: it is well content that the people should rejoice, provided they think of nothing but rejoicing. For their happiness such a government willingly labours, but it chooses to be the sole agent and the only arbiter of that happiness: it provides for their security, foresees and supplies their necessities, facilitates their pleasures, manages their principal concerns, directs their industry, regulates the descent of property, and subdivides their inheritances.

The will of man is not shattered, but softened, bent, and guided: men are seldom forced by it to act, but they are constantly restrained from acting: such a power does not destroy, but it prevents existence; it does not tyrannize, but it compresses, enervates, extinguishes, and stupefies a people, till each nation is reduced to be nothing better than a flock of timid and industrious animals, of which the government is the shepherd.

ALEXIS DE TOCQUEVILLE, *Democracy In America*

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Bill Anderson

CASUALTIES OF THE WAR ON POVERTY

In the mid-1960s the United States was unquestionably the world's richest nation. Rates of unemployment and inflation were low and industrial productivity was high. A majority of Americans enjoyed a standard of living unparalleled in human history. So with the utmost confidence that his mission would succeed, President Lyndon B. Johnson on August 20, 1964, told the U.S. Congress that he was declaring "unconditional war" on poverty.

The Congress, of course, went along with the plan, though there were some dissenting voices (those who disapproved were labeled "reactionaries" by the press) and within a short time the government's plan of action would be endorsed by figures as diverse as Edward Kennedy and Billy Graham. Thirty-five years before, Herbert Hoover, in his acceptance speech at the Republican National Convention, had declared with sincerity that "we shall soon, with the help of God, be within sight of that day when poverty will be banished from this nation." Succeeding events made a mockery of Hoover's words; Congress and the professional poverty fighters four decades later announced that *this* time poverty would be forever eliminated from America.

Conventional wisdom and U.S. Census Bureau statistics, not to mention our news media, tell us that the poor are still with us. In fact, it seems that the poor are being added to our population in increasing numbers. Our great cities of the East and Midwest, the main targets of antipoverty measures, have sections that are reminiscent of Berlin in

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1945. Buildings are burned out and gutted; once-thriving shops are boarded up, and unemployed men and women sit on littered apartment steps and stare blankly at the ruins of their neighborhoods. Unemployment among minorities is higher now than it was in 1964 and black youth unemployment stands at a scandalous 50 per cent.[1] Clearly, this war has not been won and there is every evidence to show that we well may be losing it.

Why the War Was Lost

Has the great War on Poverty failed? Indeed, it has. We then ask, why? The answers are as diverse as the individual ideologies of Americans and yet, with close to a trillion dollars spent seemingly in vain, we must look for reasons. Why is it that the government of the wealthiest, most productive nation in history could not, by law, marshal its resources to bring a minority of its people above the poverty line? In this paper we shall look for the answers.

In retrospect, one must admit that the antipoverty activity which began in the mid-60s was nothing less than awesome. In 1965, the 89th Congress, after hearing appeal after appeal from President Johnson, moved in a manner reminiscent of the first term of Woodrow Wilson and the first two terms of Franklin D. Roosevelt, according to political writer James Reston.[2] And like the legislators of those two previous eras, the politicians of Washington worked to strengthen the power of the central government over the economic activities of its citizens.

The government's attack on poverty was to be three-pronged. First, Congress passed numerous transfer programs such as rent subsidies, increased welfare payments, college tuition grants, medicare and food stamps. Payments, minuscule by today's welfare standards, were to go to those who most needed the funds: the elderly, poor minorities and dependent children.

The second point of attack was to be centered in community action groups, which were to coordinate antipoverty plans with neighborhood self-help groups. To help spur such activity the Office of Economic Opportunity created the Job Corps, which was to provide jobs for unemployed youths, and Volunteers In Service to America (VISTA). Congress also appropriated more than one billion dollars for projects in the impoverished Appalachia region, most of which were administered through the Appalachian Regional Commission.

The third leg of the antipoverty triad was the passage of numerous equal opportunity laws, including the Voting Rights Act, the Civil Rights Act (passed in 1964 by the 88th Congress) and other laws that forbade racial discrimination in hopes that

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blacks would not be barred from jobs or homes.

Indeed, the late days of 1965 were heady ones for those who were sure the avalanche of legislation would lead America into an era of peace and prosperity. Wrote Reston:

> If the New Deal was experimentation and improvisation on a grand scale, the Great Society was a forehanded attempt to solve economic and social problems before they became critical. Thus, 1965 was a time of "preventative reform." It involved not only the problem of persuading a prosperous people to anticipate trouble, but also experimentation with new economic theories.[3]

And what were the theories that would lead America to become the Great Society? The theories of John Maynard Keynes. In other words, inflation through deficit spending was to be the key to the program's success and to pave the way for the blizzard of new "purchasing power," Congress removed the 25 per cent gold cover on commercial bank deposits held by the Federal Reserve Banks and the U.S. Treasury stopped making dimes and quarters of silver, substituting instead, nickle-copper "sandwich coins." By 1966, America was ready to fight this "war to end wars" against poverty.

The Situation in 1966

Just how poor was this nation in 1966? Had we not, since the days of the Great Depression, eliminated poverty in vast amounts simply by allowing relatively free markets to operate within the United States? Or, as the liberal critics had charged, was capitalism actually creating more poverty?

In 1959, according to the U.S. Census Bureau, about 22 per cent of all Americans had incomes which made them officially poor (of course, as any expert on poverty will tell you, there are far more factors in determining poverty than just money income). Among white families, the figure was about 18 per cent, while among blacks it was about 56 per cent.

But by 1966, before the vast majority of poverty-fighting programs had been implemented, the number of officially-poor whites had dropped to 11 per cent, while black poverty declined to about 42 per cent, with an overall estimate of all Americans at about 15 per cent.[4] Within three years the totals had dropped again, this time to 9.7 per cent for whites, 32.2 per cent for blacks and 12.1 per cent overall.

To the government-paid soldiers in the poverty war, such figures were cause for rejoicing, since they held the assumption that these newly-created federal programs were working. For many persons involved in this Great Crusade, the preliminary statistics to them were proof that by "redistributing" income, organizing neighborhoods and re-

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stricting the legal ability of some Americans to discriminate against others, poverty could be eliminated. They had hope in the future; within the next decade poverty could be abolished from this land forever.

But the years from 1966 to 1970 were not peaceful ones in this country. The Vietnam War became increasingly unpopular, especially on college and university campuses, and no doubt that conflict served to raise levels of national tension. The real paradox, however, came in the ghettos and inner cities of Los Angeles, Detroit, Chicago and other metropolises where thousands of black Americans took to the streets in bloody riots. Talk of abolishing poverty did not ease the despair; in fact, as James Reston wrote, it served to heighten it.

> It was not that the housing, sanitation, education, and employment of urban Negroes were worse in 1966 than in 1965. They were better; but they were still bad. The difference was that the Negro had been made more aware of his unequal situation. He had been told by his government and his own leaders that poor housing, inferior education, and unemployment were not inevitable, but correctable. Yet they were not corrected; at least not rapidly enough to meet rising Negro expectations. The government's promises of equality, opportunity, a War on Poverty leading to a Great Society, exceeded the performance. The Negro was made aware of his inequality without being relieved of it. Though he was better off than in 1965, "the full and equal life" the President talked about was now part of the Negro's expectation without being part of his reality.[5]

Seventeen years after Reston wrote those words, the end of poverty in America is not in sight. According to Census Bureau statistics, the percentage of blacks below poverty levels in 1982 was 32.5 per cent, an *increase* from the levels measured in 1969 and, according to those same figures, the white poverty level stands about the same as it did in 1969. Since 1969 the halls of Congress have echoed with calls for "social justice," "redistribution" and the like. "Concerned" citizens have taken to the streets in marches and demonstrations, politicians have passed law after law "guaranteeing" equal opportunities for white and black and the poor, government has subsidized more than *half* the citizens of the United States with transfer payments. But still Leviathan refuses to be tamed and there is every indication that it is growing larger each year.

A Call for More

The new growth of poverty in America has led some to call for even more federal largess, with the reasoning that the need for government aid is even greater today than in the past. Free markets, they declare, cannot meet the growing human need. On the other hand, the reali-

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zation that, in the past 13 years, massive federal spending has failed to even budge real poverty levels has forced many former advocates of the Great Society programs to rethink their approaches to the subject.

Explanations for this tragedy abound from blaming indifferent bureaucrats to military spending (which, in reality, *dropped* in real dollars during this period) to recent budget cuts. What few persons have said is that the original plans were flawed at the foundations. For nearly two decades the government of the United States has attempted to alleviate poverty by destroying this nation's basis of wealth, or at least undermining it, and the ominous results should be a warning to future generations on how *not* to help the poor.

As written earlier, the government tried to attack poverty in three ways, the first being transfer payments, the second social activism and the third being passage of equal opportunity laws. An examination of each leg of the triad reveals their fallacies and the problems they cause.

Transfer Payments

Under the concept of transfer payments, which first appeared in this country in the late 1930s in the form of Social Security, poverty was to be alleviated by taking from the haves and giving to the have nots. In fact, it was argued by some economists that the disparity between rich and poor *was* the cause of poverty. Therefore, they argued, a systematic plan of transfers to counter this "injustice" was needed if the War on Poverty was to be successful.[6]

In the past 20 years our legislators have attempted to do just that. The Census Bureau reports that roughly half of all Americans receive transfer payments from the federal government, some in forms of welfare and food stamp payments, others in form of social security, education grants and the like. In 1960, about 22 per cent of the federal budget was earmarked for payments to individuals. Twenty years later, that percentage had more than doubled to 48 per cent (more than half of that figure went to social security payments). If transfer payments could, as many economists and social planners had insisted, eliminate poverty, then one would have expected to see a drastic fall in poverty levels, not a slight rise as actually occurred between 1969 and 1982.

What, then, is the problem of redistributing income? The first objection is this: transfer payments do not transfer wealth; they only transfer *claims* to wealth. Nor do transfer payments increase actual wealth itself; they can only increase monetary demand. Under Keynesian orthodoxy, increased demand spurred on by transfers or by inflation (which also acts as a transfer of wealth) will

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automatically increase the supply of wealth. As we have seen, such a rise in the claim on wealth does not increase supply; it only increases prices. And to make matters worse, those receiving transfer payments fall under the "fixed income" category, which places them at a disadvantage in a period of inflation. Wrote Murray Rothbard:

> Inflation, then, confers no general social benefit; instead, it redistributes the wealth in favor of the firstcomers at the expense of the laggards in the race. And inflation is, in effect, a race—to see who can get the new money earliest. The latecomers—the ones stuck with the loss—are often called "fixed-income groups."[7]

Perhaps to a disinterested observer, it would seem that transfer payments are an effective way to fight poverty. After all, when one adds up the dollar value of cash, in-kind payments, subsidies and services available to those in low-income categories, the figures look impressive. When all the "free" benefits are totaled, a family of four may have an income (cash plus available services and subsidies) of more than $20,000 per year. But beyond all that, one must examine the quality of services available to poverty-aid recipients. A person spending an afternoon waiting at a dilapidated health clinic to seek medical service from a transitory staff of doctors who can't wait for their two-year public health stint to end so they can practice medicine on their own is not likely to obtain the quality of care that a person seeing a private physician will have. On paper one sees that a poor person has available medical care; the reality, while not officially substandard, shows a different picture.

At Terrible Cost

On paper, the influx of transfer payments to the poor increased their income. Noted one writer: "Startling progress has been made toward eliminating poverty in this country—but at an equally startling cost to taxpayers."[8] Subsidies were raised, public housing was constructed (using some of the most unattractive and disfunctional architecture available) and cash payments were increased. But, in all of this, wealth was not created. Income was taken from some and given to others and, when no tax funds were available, government inflated or siphoned funds from capital markets, thus devouring the seed corn of future wealth. In short, the nation overall was becoming poorer (or at least wealthier at a much slower rate of growth) while being deceived by the growing incomes which have been severely eroded by inflation.

The figures bear this out. Until the advent of the Great Society programs and the escalation of the Vietnam War (or "guns and butter"), inflation in the United States was running at an annual rate of be-

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tween one and two per cent. By 1966 the rate had climbed above three per cent, a seemingly low figure in this present age of inflation, but certainly a scandal at the time. Prices shot up, housewives picketed supermarkets and unions demanded cost of living allowances (COLA's) in their contracts.

But the domestic price rise was only part of the inflationary tragedy. First, in order to be able to pay for "guns and butter" (guns dominated the headlines but butter dominated the budget) the government debased the dollar by removing the 25 per cent gold cover on bank deposits held by the Federal Reserve. That was bad enough, (in a sense, an admission of bankruptcy) but wishing to preserve the illusion abroad that the Great Society did not imply the Great Debasement, the U.S. Treasury still permitted foreign governments the privilege to buy U.S. gold at the 1933 price of $35 per ounce. The result, as any monetary expert can recall, was an unprecedented outflow of gold from this country into the treasuries of nations like France who declined to believe the U.S. claim that the dollar was as "good as gold." By August, 1971, claims against our gold far outnumbered our reserves, leading President Richard Nixon to suspend U.S. gold payments and impose wage and price controls here and devalue the dollar overseas.

At this point, in terms of real money, the U.S. Treasury was bankrupt. The message in the marketplace was this: "The U.S. Government cannot afford its welfare system or its vast subsidies given to nearly every special interest group that asked for federal largess."

The "New Economics"

Keynesian theories, known to Americans as the "New Economics," had proven a failure. Like miners who vacate a deep shaft when their caged canary succumbs to the odorless methane gases, so should have Congress and the President abandoned their spending schemes when the dollar collapsed. Instead, the dollar's collapse ignited an unprecedented orgy of federal welfare spending. In constant dollars, federal spending for individuals increased by more than 60 per cent in the decade following the monetary disasters of 1971. While inflation increased at unprecedented levels following the 1971 devaluation, Congress continually voted to increase spending at rates above inflation, "so the poor won't be hurt by rising prices."

But the poor *were* hurt by inflation and, in fact, suffered far more than the well-paid civil servants who administered the poverty programs. And the poor suffered in other ways as well, ways which were invisible to most other Americans. Many of

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America's poor, and especially poor blacks, became underclass victims of federal dependency. Welfare advocates had assumed that by simply giving the poor more money, medical care and housing services, the government could eliminate not only the results of poverty but the causes as well.

However, there is a time-honored principle one must follow in dealing with cultures and subcultures: One cannot simply change one aspect of a society, for traditions (and markets) have a way of filling the void.[9] So it was with America's poor. Social planners had eliminated some of the stigma of being poor by providing tax-supported benefits to the needy, but in the process of eliminating one incentive to climb from the depths of poverty, the bureaucrats eliminated the "carrot" as well. As many poor persons have discovered, one can do better financially by receiving federal benefits for *not* working than by accepting low-wage, entry-level jobs that in the long run may train workers for better careers in the future but in the short term do not pay much above subsistence. Under this country's welfare system, it is to the short-term advantage of the poor not to work. However, they, not to mention taxpaying Americans, must bear the brunt of such policies in the long run.

For example, housing projects that seemed clean and bright 20 years ago are dirty and rundown today. Three and four generations of families dependent upon transfer payments like AFDC and food stamps crowd into these tax-supported slums where rates of crime, divorce and teenage pregnancy are at historic highs. On the outside restrictive government policies like minimum wage and licensing prevent many poor persons from moving into entry-level jobs that might promise them a successful future.[10] In short, the causes of poverty not only remain under the welfare system; they are nurtured by it as well.

An Overwhelming Bloc of Voters

But transfers have not confined their damage to only the poor. As with many other government programs, many middle-class Americans have found their way onto the dole. In fact, if one includes social security as welfare, it can be argued that more transfer and subsidy money actually finds its way to the middle and upper-classes of the United States than to the needy and destitute. After all, the poor may have their housing subsidies in the form of grimy, rundown projects while the middle class receiving government housing money can spend it on a private home or a nice penthouse in a highrise.

The net result of so much federal largess to so many people is that a large political constituency (that

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votes in great numbers) of persons on the government dole now has a substantial say in the governing of America. In short, the transfer-receiving majority can dictate to the tax-paying minority what kind of benefits it wants and how much is to be paid them.

When Congress first approved transfer payments en masse in the mid-1960s, few of the pro-welfare legislators imagined that transfers would grow to a point of crowding out other priorities in the budget process, like paying for needed road and bridge repair. Transfers were to be a temporary bridge to the Great Society; instead, they have gyrated out of control and their constituency is so strong that it is doubtful American politicians can muster the needed courage to bring them into line.

Social Activism

Spending money in the form of vast transfer payments was not the only high-level strategy in Washington's poverty war. By organizing the nation's poor into active political cells, the poverty fighters assumed that poor persons—and especially the blacks—would acquire a new awareness of their social, political and economic "rights" and demand proper treatment from businessmen and politicians. Within a few years of the passage of social legislation like the Civil Rights Act and the Voting Rights Act federal funds found their way into the coffers of such organizations as the Black Panthers and revolutionary factions under the umbrella of the National Council of Churches. At the same time, VISTA "volunteers" (actually they were paid a small stipend) were organizing demonstrations against strip mining in the Kentucky hills while consumer groups and social engineering organizations like Family Planning and Legal Services Corporation, all receiving taxpayer funds, initiated an avalanche of litigation to enlist the court system as the vehicle for changing the "priorities" of this nation.

But, as the census figures point out, poverty is still as prevalent as ever. The Black Panthers may have garnered attention for themselves and the black community they supposedly represented; they may have been successful in providing free breakfasts for black children in Oakland (along with giving them a dose of revolutionary rhetoric); they may have been successful in inciting riots in which people lost their homes, businesses—and some their lives.

But the Panthers, who as an organization deteriorated into a horror story of murders and prison terms,[11] could not make a real dent into black poverty rates. The problem with their approach—and it is the approach of nearly every left-of-center social organization—is that

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they view the poor, and especially poor blacks, simply as victims of rich, white male oppressors. Overthrow (or at least inconvenience) the oppressors, and the poor can have the high standard of living that is rightfully theirs.

Yet, when analyzed, the rhetoric of these activists is simply this: "Take away the wealth of the rich (or, more likely, destroy it) and the poor will have a better standard of living." But is this logical? Does a society in general become richer when its production of wealth remains static or declines? The obvious reply is no.

Nor did these social activist groups create much wealth on their own, for their efforts were mostly aimed at organizing poor people into a political constituency that would seek benefits from Congress through the transfer process. A few VISTA employees might have painted some houses in the ghetto while some other groups might have taught some illiterate poor persons how to read, but the main thrust of the social activism was to change the U.S. economy from one based on private property and economic freedom to one based upon government fiat. In this, they were partially successful; this "success," however, failed to lift the poor en masse from their destitution.

The third leg of the Great Society was the passage of numerous laws that would supposedly gain equal social, political and economic opportunities for the poor and minorities. And, in one sense, some of these laws had a minimum of success. For example, the obvious facets of racial discrimination such as segregated restrooms, lunch counters and the like have largely disappeared from the national scene. Those persons who believe in the concept of "created equal," and desire individual freedom for all, no doubt can be heartened by this fact.

Equal Opportunity Laws

But the flurry of civil rights and equal opportunity legislation also increased the power of the federal government not only over state and local governments but over the individual as well. Property rights, which are an important aspect of an order of political and economic freedom, were targeted as a major stumbling block to equality.

And with the power of the government to interfere with the private property order increased by equal rights legislation, it became easier for other laws restricting one's property rights to be passed by Congress. For example, in my state of Tennessee a few years ago the federal government deprived numerous landowners of their property rights in order to construct a dam and surrounding industrial park (ostensibly to help the free enterprise system), along with building a planned town from scratch. Nearly five years after

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completion of the project, and after many of the landowners were either financially ruined or severely inconvenienced by the government's actions, the lake lies by itself. There is no industrial park and the planned town was abandoned before the first brick was laid. The net cost to both taxpayers and consumers has been calculated in the hundreds of millions of dollars.

Because the lines between property rights and government power were blurred during the Great Society era, fiscal fiascos like the one described above have become commonplace in our nation. Because one group of people may receive certain benefits from government action (in the case above, people in surrounding areas were given a "free" recreational lake) it is assumed that everyone benefits.

That assumption, however, is false. Even in the area of equal opportunity laws, there are winners and losers. Take affirmative action and quota regulations, for example. It is commonly assumed that such laws benefit minorities as a whole, but on closer analysis, it is discovered that while quotas may abound for blacks, Hispanics and women in higher-skilled professions that are highly-visible in our society, they are effectively non-existent in the low-skilled industries. This is not because there is more racial or sex discrimination in those low-skilled occupations, but rather because it is virtually impossible for government bureaucrats to supervise *every* job opening that occurs in this nation. Affirmative action laws, then, benefit those persons who already have the skills and opportunities to compete for the more visible, higher-paying jobs. Those same laws do nothing for the poor but give empty promises.

And, to study the bottom line in alleviating poverty, the equal opportunity legislation failed to increase overall wealth in this nation. Instead, the laws depended on the wealth- and job-destroying transfer process while providing employment opportunities for middle- and upper-class persons involved in promoting and implementing such laws. When the transfer process failed, all that remained were tax-supported jobs for the rich and despair for the poor.

Conclusion

Since the advent of the Great Society two decades ago, we have seen enough money spent to make every poor man, woman and child in this nation an independently wealthy person, yet poverty remains. We are no closer to abolishing destitution today than when President Johnson told that cheering crowd of Congressmen that he had declared "unconditional war" on poverty.

The collective efforts of millions of poverty fighters and activists and

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millions of dollars spent failed because the majority of Congressmen and social planners did not understand that poverty is eliminated only when wealth is created, not when it is destroyed. Nor did they understand that people do not rise from poverty en masse. In this century we witnessed the rise of destitute immigrants to a status of wealth in this nation, from the impoverished Scandinavians (like my own ancestors) who came to the Midwest and built great farms and cities to the Jews who at the turn of the century were crowded into the tenement districts of New York City but later built great financial empires, even in the midst of abuse and discrimination. They left poverty not all at once but individual by individual, family by family. There was no poverty program to ease their sufferings (which were many); they had only the right to go into business and make a profit if they could so manage or to work for others at mutually agreed-upon wages.

That story has not changed. George Gilder in his popular *Wealth and Poverty* points out the paths different immigrant families took in this nation in the past 15 years that led them from being poor to financial security. The vehicle was economic freedom and it is the best anti-poverty program available to the poor today.

—FOOTNOTES—

[1]One can lay this figure directly at the feet of government, which has undercut job prospects for black youths by minimum wage laws and has driven businesses from the inner city by punitive taxes and regulations.

[2]See James B. Reston, "Focus on the Nation," *The World Book Yearbook*, 1966, pp. 22–27.

[3]Reston, pp. 25–26.

[4]All Census material is taken from the *Statistical Abstract of the United States—1980*.

[5]James B. Reston, "Focus on the Nation," *The World Book Yearbook*, 1967, p. 22.

[6]In this case, economists have neatly inverted cause and effect.

[7]Murray N. Rothbard, *What Has Government Done to Our Money?* (Colorado Springs, 1964), p. 28.

[8]Kenneth Y. Tomlinson, "We *Can* Clean Up the Welfare Mess," *Reader's Digest*, April, 1980, p. 83.

[9]See Gary North, "Cut-Throat Opportunities," *The Freeman*, June, 1982, pp. 354–356.

[10]For more detailed study on this problem, read Walter Williams, *The State Against Blacks* (McGraw-Hill).

[11]For an exposé of Panther violence, see Kate Coleman and Paul Avery, "The Party's Over," *New Times*, July 10, 1978, pp. 22–47.

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A Journalist's Journey

VERMONT ROYSTER, the long-time editor of the *Wall Street Journal*, calls his fascinating autobiography *My Own, My Country's Time: A Journalist's Journey* (Chapel Hill, N.C.: Algonquin Books, 351 pp., $18.50). He should have added that it is also the full and quite definitive story of the transformation of a rather parochial financial sheet into a great national newspaper.

Royster (who is Roy to his friends) keeps the personal note throughout his tale, giving it a flavor of "country boy makes good." Roy came to Washington, D.C., in the middle Nineteen Thirties from a rather sleepy North Carolina. He was willing, at the outset, to take Franklin Roosevelt on trust. But the country boy learned quickly that welfare, though he still thinks it was necessary in the context of the Thirties, was not enough. Bill Grimes, who preceded Royster both as editor and conductor of the column "Thinking Things Over," distrusted any "easy money" policy, and his worries were contagious. Roy was not one of those country boys who could be sold the Brooklyn Bridge, and he found himself in a shop generally run by canny country boys who had not grown up in parochial Wall Street.

Barney Gilgore, a few years older than Royster, was from De Pauw University in Indiana. It was Gilgore who, keeping track of modern electronics and the useful presence of deflecting satellites in the sky, thought the *Journal* could be published simultaneously in cities all across America. With its left side and right side "leader" stories of general import dominating a national page, and with a strong pro-free enterprise editorial page, a nationally distributed *Wall Street Journal* could

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do battle with the *New York Times* and the *Washington Post* and their ubiquitous news services. Gilgore could not immediately make his vision plain to his colleagues, but it eventually began to sink in. By the time the technological difficulties of printing identical copy for morning distribution in New York, San Francisco, Chicago and elsewhere were solved, the staff was ready.

Working with William H. Grimes

Royster tells the story of a team effort with objectivity. But there was the matter of office politics, too, which was harder to be objective about. The man behind the editor's desk, William Henry Grimes, could be incalculable, sometimes in a most disconcerting way. As Roy puts it, for "twenty-two years" Grimes was his "patron, guide, irritant, teacher, obstacle, and friend." Grimes would sometimes kill pieces for reasons that were hard to explain. Just before the 1948 election Roy wrote that "by all the polls and portents, Thomas E. Dewey will be the next President of the United States. But it's hard to see why." Grimes refused to print the piece because it was based on Royster's "personal feelings." If it had been printed, it would have stood out as a prophetic omen. Royster had actually based his piece on more than a personal subjective feeling. He had taken his mother to a Dewey rally in Madison Square Garden. "That man can't win," said his mother, "this was supposed to be a victory rally and there was almost no excitement when Dewey entered and spoke."

Later, when Royster expanded a policy of printing theater, music, art and book pieces on the editorial pages, he had more trouble with Bill Grimes, who thought the arts reviews were a "waste of space." He would not let the word "homosexual" be printed even in a review of a play about the problem.

Roy could forgive Grimes his curmudgeonly aspects, which could take amusing turns. (When I was working at the *Journal* I heard Grimes say that if anyone called him a senior citizen, he'd hit him with his crutch.) But Grimes really outraged Roy when, after bringing him up from Washington to run the editorial page, he inserted Buren McCormack over him as "senior associate editor." This seemed to Roy to be a breach of faith. It was a long time before he got over it. Grimes, of course, did not mean to reflect on Royster's work by his move. He was just trying to find a place for McCormack and thought Royster would understand.

More important for the long run was Grimes' impact as a guide and teacher. Roy had come to the *Journal* with a fine classical background. He had gone to a school in Tennessee that drilled its students in the

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advanced Greek and Latin classics. Little attention was paid to "social studies" or anything of a "frill" nature. Once in college, at Chapel Hill, Royster coasted to a Phi Beta Kappa rank on the basis of what he already knew about Homer and Virgil. He had only one course in economics.

On the *Journal* he had to get this subject up for himself, by absorption from Grimes or his own reading. When he suspected that "easy money," as Grimes had predicted, would loosen the moral fabric of society, Royster read Keynes' *General Theory* for himself to find out what "government investment" was all about. He found Keynes hard going. To round out his understanding, Roy then turned to Friedrich Hayek and Ludwig von Mises. He found Mises hard going, too, but he was convinced by the ultimate clarity of the Austrian school.

Politics and War

There is much more to this autobiography than the story of the *Journal's* development and the account of one editor's efforts to beat the competition for the job of running the editorial page show. Even in the middle of office work Royster insisted on going to the national conventions and covering the whole political scene. His book gives us canny ratings of all the presidents and near presidents since Hoover's day.

Surprisingly, he gives Eisenhower the strongest of his accolades. In the Fifties, when he was forced to deal with the Eisenhower Administration on a day-to-day basis, Royster lamented that the placid Ike never gave him anything exciting to write about. But, looking back, Royster has decided that Eisenhower's ability to get us out of one war and his record of keeping us from getting into any other are the marks of a master of foreign policy. He also gives Eisenhower full credit for letting us digest past inflations.

The five years of World War II forced Royster to go to sea (he had enlisted in the naval reserve, and, though he had a wife and child to support, he would have felt unpatriotic to ask for a deferment). At the war's end he was captain of a destroyer hovering off the ruined Japanese port of Nagasaki. Along with most of his mates he was happy that Truman had used the atomic bomb to end the war. We had already made the decision to invade Japan, and the navy would have had to play a dangerous role in getting our troops ashore.

Royster came home to a wife and two children (one of whom had been born during the war) who hardly knew him. But he picked up the threads of domesticity quickly. One of the pleasurable things about this book is that it is the chronicle of a lifelong happy marriage.

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AMERICAN POLITICAL WRITING DURING THE FOUNDING ERA: 1760–1805

Edited by Charles S. Hyneman and Donald S. Lutz
(Liberty Press, 7440 North Shadeland, Indianapolis, Indiana 46250), 1983
2 volumes: volume I, 704 + viii pages; volume II, 713 + xii pages
$28.50 set cloth; $13.50 paperback

Reviewed by Clarence B. Carson

MEN of the founding era of the United States had apparently never heard that it is futile to reason with people, that minds are not changed by reason. Or, if they had, they must have rejected the notion out of hand as being ridiculous. In any case, those of that era who have left written records leave little doubt of their belief in the effectiveness of reason. For reason they did: on government, on the state, on society, on religion, on liberty, and about the affairs of men. Of course, the 18th century is sometimes referred to as the Age of Reason, a title some would apply with equal aptness to the 17th. The truth is that the men of the founding era were at the peak of a long trend toward increasing confidence in reason. But however all that may be, one of the considerable benefits of reading their thought is to make junction with men who believed in reason as our primary, if not only, means of arriving at some truth.

Although the two volumes in hand run to more than 1400 rather large pages, they are only a sampling of the extant political writing from the period. By design, the editors excluded all private materials, such as letters, diaries, and journals. In general, too, they excluded public documents, such as the resolutions of the Stamp Act Congress, the Declaration of Independence, all constitutions, and the like. In addition, some of the better known political writers and commentators of the period are missing, such as John Dickinson, Thomas Jefferson, Alexander Hamilton, Richard Henry Lee, George Mason, and John Marshall. There is a brief selection from Benjamin Franklin, a little longer one from John Adams, and a memorial in which James Madison had a hand. None of *The Federalist Papers* are included. In general, these omissions were intentional. The editors had in mind to make available in book form the best of the political writings that were published in that day but are not now generally accessible. Thus, though the present reviewer has read and studied extensively in the literature of the period, there are selections from many writers of whom he has never heard, for example, Thomas Bradbury, Zabdiel Adams, Gad Hitchcock, and Levi Hart. Only a very few people would be rewarded who bought these books

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in the expectation of finding selections from their favorite authors.

Yet there is good fare here, especially for those who like meat and potatoes rather than salads, rich desserts, and frothy beverages in their reading diet. Some of the selections are deep; none of them are shallow. Most are not so abstruse as the piece by John Perkins called "Well-Wisher to Mankind," which deals closely with the doctrines of predestination and foreordination to arrive at the view that we do act freely by taking thought. Simeon Howard, in "A Sermon Preached to the Ancient and Honorable Artillery Company in Boston" in 1773, gives a very lucid definition of liberty. He says, "I mean by it here, only that liberty which is opposed to external force and constraint, and to such force and constraint only, as we may suffer from men." In a state of society under government, he continues, they have "all that natural liberty . . . , excepting what they have expressly given up for the good of the whole society. . . ." He provides a justification for war in a Christian context, also, which many would do well to consider today. He points out that "it is only defensive war that can be justified in the sight of God. When no injury is offered us, we have no right to molest others." However, "When others have sufficiently manifested an injurious or hostile intention. . . , we may, in order to avoid the blow they are meditating against us, begin the assault."

Indeed, there are a goodly number of valuable selections. John Leland's essay, titled "Jack Nips," reminds us of the role of the Baptists in pressing for religious freedom. His careful distinction between sin and crime would repay the reading of it by a general audience. Noah Webster's "An Oration on the Anniversary of the Declaration of Independence" is especially important for his careful analysis of the political language of the day. His observations on equality are particularly instructive. "That one man in a state," he notes, "has as good a right as another to his life, limbs, reputation and property, is a proposition that no man will dispute. Nor will it be denied that each member of a society . . . has an equal right to protection. But if by *equality*, writers understand an equal right to distinction, and influence; or if they understand an equal share of talents and bodily powers; in these senses, all men are *not* equal." Several writers emphasize, along with Webster, the importance of reputation and the legal protection of individuals from libel and falsehoods about them. There was apparently a widely held view that reputation, or a good name, was indeed valuable property deserving protection along with other species of property.

The editors have performed a useful service in putting together this

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collection of essays. They have made available much material which was not heretofore to be had in any one place in the country. The selections not only reinforce what we already knew about this period but also bring out some things that were not generally known. I was surprised to discover as many references to "utopian" schemes, for, while I was aware that men of that time would have generally deplored them, I did not know that the word was so well known among literate people then. It is worth noting, too, that not only was the revolutionary era in our history a time of great fertility in political thought, there was also a great willingness to explore the possibilities in a variety of directions and to learn from experience. The conclusions which they reached, too, speak well for their commitment to the use of reason.

THE MYSTERY OF BANKING
by Murray N. Rothbard
(Richardson & Snyder, 25 Broad Street, New York, N.Y. 10004), 1983
286 pages ■ $19.95 cloth

Reviewed by Brian Summers

THIS book is an introduction to the fractional reserve banking system, its history and its consequences. The approach is straightforward, with each chapter building upon previous chapters, much in the manner of an introductory course in money and banking.

Professor Rothbard begins by examining the origins of money and how individual prices are determined by supply and demand. The text is easy to follow, although some readers might be more comfortable with fewer supply and demand curves. The professor completes his introductory remarks by showing how the supply and demand for money determine the general level of prices.

Turning to the theory of banking, Rothbard distinguishes between loan banking and deposit banking. The hallmark of a loan is that the money is due on some agreed-upon date, and the debtor pays the creditor interest. But a deposit is almost the exact opposite. In this case, the bank must pay on demand—whenever the depositor presents his receipt. No interest is paid; in fact the depositor may pay the bank to safeguard his valuables.

Unfortunately, these two banking functions have become commingled, so that banks can engage in credit expansion via fractional reserves. Credit expansion is held in check when banks are free to compete with one another because bankers must maintain reserves so that competing banks can redeem their notes. With the advent of central banking, how-

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ever, the last market check on credit expansion was abolished.

In the last third of this book Professor Rothbard surveys the history of central banking in England and the United States. He shows how central banking was politically imposed on these nations, with the resulting inflations, instability, and depressions which have plagued the Western world for more than a century.

Rothbard concludes by proposing that the dollar once again be tied to gold, and the Federal Reserve System be abolished. In today's political climate, such proposals receive scant attention. But as foreign debts pile up and the fractional reserve banking system grows ever shakier, events may compel us to return to the discipline of a market-determined money.

THE ORIGINAL MCGUFFEY'S
by William Holmes McGuffey
(Mott Media, 1000 East Huron, Milford, Michigan 48042), 1982
7 volumes ■ $69.95 set

Reviewed by Robert A. Peterson

FOR many years McGuffey's *Readers* have charmed nostalgia buffs and have provided solid academic fare for a few traditional educators. The McGuffey's *Readers* that were available, however, were later editions, the most recent being the 1920 revision. Now Mott Media, an aggressive publishing company in Michigan, has come forth with the original 1836 edition—and none too soon, in the light of the continued decline of education in America.

William Holmes McGuffey, often referred to as "The Schoolmaster of the Nation," was born on the Ohio frontier on September 23, 1800. Young McGuffey received a "liberal education in the way of chores" (as one of his *Readers* later put it) and found little time and less money for formal schooling. McGuffey's desire to learn was so intense, however, that his parents saw to it that he was able to gain admittance to Washington College in Pennsylvania.

Unable to afford the textbooks necessary for his college classes, McGuffey borrowed copies from friends or the library and copied them out in longhand. In later years, when McGuffey compiled his *Readers*, more than one story was based on the theme of a poor boy working his way to the top through determination and persistence. As one story in the Fourth Reader later pointed out, "The best seminary of learning that can open its portals to you can do no more than to afford you the opportunity of instruction. It must depend, at last on yourselves, whether you will be instructed or not, or to what point you will push your instruction." (238)

Impressed with his desire to learn

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and his already substantial attainments in classical languages, Rev. Robert Bishop, president of Miami University in Ohio, offered McGuffey the chair of classics at the frontier college. At Miami, McGuffey taught during the day and studied for the ministry in the evening. In 1829 he was ordained as a Presbyterian minister. McGuffey filled pulpits in rural churches surrounding Miami, and preached periodically in the college chapel. It was through his *Readers,* however, that McGuffey preached to the nation. The *Readers* were published in 1836. Later editions were published by his brother Andrew. Eventually, through successive editions, McGuffey's Scotch Presbyterian values were diluted by Unitarian influences.

Mott Media's reprinting of the original *McGuffey's Readers* captures the true letter and spirit of the stories as selected by the old schoolmaster himself. The *Readers* are sprinkled with selections from the Bible. (In McGuffey's day, the Supreme Court had not yet discovered that the curriculum of America's local schools was within its area of jurisdiction.)

McGuffey's Readers also contain stories about great men, holding them up to schoolchildren as an example to follow. The late Dr. Max Rafferty once said that today's history teachers "debunk the hero, and elevate the jerk." Men like John Lennon are given a prominent place in history while George Washington, who served without pay during the War for Independence, is accused of padding his expense account. The problem with this teaching method is twofold. First, it leaves children with no models after which to pattern their lives. Second, it is usually historically inaccurate. The character sketches in *McGuffey's Readers,* however, give young people ideals towards which to work. Even if children never attain the stature of a Washington or a Webster, at least they have been challenged. A crooked furrow is better than none at all.

McGuffey's intention was for the *Readers* to produce young adults who displayed self-government under God. The values taught in the *Readers,* if followed by a substantial number of citizens, would lead to limited, constitutional government in which "virtue," as our Founding Fathers would have it, not force, would maintain order.

Like many great books, *McGuffey's Readers* will do little good unless ways are found to use them in educating today's youth. My own experience in using *McGuffey's Readers* in the classroom convinces me that students would much rather read these timeless stories than the sterile "Dick and Jane" genre of the past generation. The fact that the *Readers* contain so many selections

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from the Bible will undoubtedly make it difficult for them to be adopted by local school boards and textbook selection committees. Despite this "shortcoming," there are, however, several ways in which the *Readers* could be used. Teachers can use them in a Reading Enrichment Program. When students finish their required reading, they could read McGuffey. Teachers can often purchase materials like this (they are tax-deductible) without having to get permission. Sets can also be donated to school and public libraries. History teachers can use the books to illustrate 19th century values and how they laid the philosophical basis for free enterprise—suggesting that these values are still relevant today. Private schools, particularly those in the rapidly growing Christian school movement, will be able to incorporate them into their curriculum. One textbook publishing company, A Beka Books based in Pensacola, Florida, has taken stories from *McGuffey's Readers* and placed them in its elementary curriculum. *The New McGuffey's Readers*, as A Beka styles them, are being used with success in many private Christian schools.

Finally, parents should have a set in their own homes. Here, *McGuffey's Readers* will provide a necessary supplement to the morally and intellectually anemic fare being offered up by today's educational establishment.

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Each of these brief messages is a handy way to share with friends, teachers, editors, clergymen and others a thought-starter on liberty. It also serves to introduce the reader to our work at FEE.

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